

# Fiscal Plan Update: December 2010

| (\$ in Millions)  |                |                 |                              |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
|---|----------------|-----------------|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   | App.<br>FY11   | Est<br>FY11     | % Chg.<br>FY11-12<br>Rec/Bud | Projected<br>FY12 | % Chg.<br>FY12-13 | Projected<br>FY13 | % Chg.<br>FY13-14 | Projected<br>FY14 | % Chg.<br>FY14-15 | Projected<br>FY15 | % Chg.<br>FY15-16 | Projected<br>FY16 | % Chg.<br>FY16-17 | Projected<br>FY17 |
| <b>Total Revenues</b>   | <b>5-27-10</b> | <b>12-14-10</b> |                              |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| 1 Property Tax (less PDs)   | 1,450.1        | 1,436.7         | 1.3%                         | 1,468.7           | 2.9%              | 1,511.3           | 3.5%              | 1,563.5           | 3.2%              | 1,613.7           | 3.5%              | 1,670.3           | 3.8%              | 1,733.1           |
| 2 Income Tax  | 1,060.7        | 1,030.2         | 3.9%                         | 1,101.7           | 6.6%              | 1,174.3           | 4.4%              | 1,225.7           | 7.9%              | 1,321.9           | 5.2%              | 1,390.7           | 4.1%              | 1,447.5           |
| 3 Transfer/Record. Tax  | 139.9          | 134.5           | -4.7%                        | 133.4             | 10.1%             | 146.8             | 7.0%              | 157.1             | 0.5%              | 157.9             | 6.7%              | 168.5             | 2.0%              | 171.8             |
| 4 Investment Income   | 3.6            | 1.3             | -51.0%                       | 1.8               | 176.0%            | 4.9               | 138.7%            | 11.8              | 57.1%             | 18.5              | 30.3%             | 24.1              | 0.0%              | 24.1              |
| 5 Other Taxes (e.g. Ambulance Fee)  | 313.2          | 310.1           | 1.7%                         | 318.6             | -33.9%            | 210.6             | 2.8%              | 216.5             | 2.5%              | 221.9             | 2.2%              | 226.8             | 2.7%              | 232.9             |
| 6 Other Revenues  | 811.6          | 780.7           | -2.5%                        | 791.7             | 0.5%              | 795.3             | 0.5%              | 799.5             | 0.6%              | 804.0             | 0.6%              | 808.6             | 0.6%              | 813.4             |
| 7 <b>Total Revenues</b>   | <b>3,779.2</b> | <b>3,693.5</b>  | <b>1.0%</b>                  | <b>3,815.8</b>    | <b>0.7%</b>       | <b>3,843.2</b>    | <b>3.4%</b>       | <b>3,974.1</b>    | <b>4.1%</b>       | <b>4,137.8</b>    | <b>3.7%</b>       | <b>4,289.0</b>    | <b>3.1%</b>       | <b>4,422.8</b>    |
| 8   |                |                 |                              |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| 9 <b>Net Transfers In (Out)</b>   | <b>41.7</b>    | <b>41.7</b>     | <b>-68.0%</b>                | <b>13.4</b>       | <b>2.4%</b>       | <b>13.7</b>       | <b>2.8%</b>       | <b>14.1</b>       | <b>2.9%</b>       | <b>14.5</b>       | <b>3.0%</b>       | <b>14.9</b>       | <b>3.0%</b>       | <b>15.4</b>       |
| 10 <b>Total Revenues and Transfers Available</b>  | <b>3,821.0</b> | <b>3,735.3</b>  | <b>0.2%</b>                  | <b>3,829.2</b>    | <b>0.7%</b>       | <b>3,856.9</b>    | <b>3.4%</b>       | <b>3,988.1</b>    | <b>4.1%</b>       | <b>4,152.3</b>    | <b>3.7%</b>       | <b>4,303.9</b>    | <b>3.1%</b>       | <b>4,438.2</b>    |
| 11  |                |                 |                              |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| 12 <b>Non-Operating Budget Use of Revenues</b>  |                |                 |                              |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| 13 Debt Service   | 264.0          | 264.0           | 11.9%                        | 295.3             | 11.3%             | 328.6             | 8.3%              | 356.1             | 6.3%              | 378.5             | 4.6%              | 396.1             | 0.0%              | 396.1             |
| 14 PAYGO  | -              | -               | n/a                          | 32.5              | 0.0%              | 32.5              | 0.0%              | 32.5              | 0.0%              | 32.5              | 0.0%              | 32.5              | 0.0%              | 32.5              |
| 15 CIP Current Revenue  | 23.8           | 23.8            | 72.1%                        | 40.9              | 40.3%             | 57.4              | 41.0%             | 81.0              | 3.9%              | 84.2              | -24.7%            | 63.4              | 0.0%              | 63.4              |
| 16 Montgomery College Reserves  | -              | 15.8            | (11.8)                       | -                 | -100.7%           | 0.1               | 45.0%             | 0.1               | 2.4%              | 0.1               | -4.0%             | 0.1               | -37.1%            | 0.1               |
| 17 MNCPPC Reserves  | -              | 4.3             | 0.1                          | -                 | 83.1%             | 0.1               | 26.6%             | 0.2               | -3.4%             | 0.2               | 10.2%             | 0.2               | 3.4%              | 0.2               |
| 18 Contribution to General Fund Undesignated Reserves                                       | 107.1          | 7.9             | -18.9%                       | 86.9              | 94.5%             | 4.8               | -87.7%            | 0.6               | -834.0%           | 5.5               | 30.2%             | 7.2               | 52.8%             | 11.0              |
| 19 Contribution to Revenue Stabilization Reserves   | 33.9           | 19.2            | -41.4%                       | 19.9              | 0.7%              | 20.0              | 3.4%              | 20.7              | 4.1%              | 21.6              | 3.7%              | 22.4              | 3.1%              | 23.1              |
| 20 Retiree Health Insurance Pre-Funding   | -              | -               | n/a                          | 83.6              | 22.7%             | 102.6             | 18.6%             | 121.7             | 14.9%             | 139.8             | 5.0%              | 146.8             | 3.4%              | 151.8             |
| 21 Set Aside for other uses (supplemental appropriations)                                   | 0.3            | 15.3            | 8916.1%                      | 22.5              | 0.0%              | 22.5              | 0.0%              | 22.5              | -11.3%            | 20.0              | 0.0%              | 20.0              | 0.0%              | 20.0              |
| 22 <b>Total Other Uses of Resources</b>   | <b>429.1</b>   | <b>350.2</b>    | <b>32.8%</b>                 | <b>570.0</b>      | <b>-0.2%</b>      | <b>568.8</b>      | <b>11.7%</b>      | <b>635.4</b>      | <b>7.4%</b>       | <b>682.3</b>      | <b>0.9%</b>       | <b>688.5</b>      | <b>1.4%</b>       | <b>698.0</b>      |
| 23 <b>Available to Allocate to Agencies (Total Revenues+Net Transfers-Total Other Uses)</b> | <b>3,391.8</b> | <b>3,385.1</b>  | <b>-3.9%</b>                 | <b>3,259.2</b>    | <b>0.9%</b>       | <b>3,288.2</b>    | <b>2.0%</b>       | <b>3,352.8</b>    | <b>3.5%</b>       | <b>3,470.0</b>    | <b>4.2%</b>       | <b>3,615.4</b>    | <b>3.5%</b>       | <b>3,740.2</b>    |
| 24  |                |                 |                              |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| 25 <b>Agency Uses</b>   |                |                 |                              |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| 26  |                |                 |                              |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| 31 <b>Subtotal Agency Uses</b>  | <b>3,391.8</b> | <b>3,385.1</b>  | <b>-3.9%</b>                 | <b>3,259.2</b>    | <b>0.9%</b>       | <b>3,288.2</b>    | <b>2.0%</b>       | <b>3,352.8</b>    | <b>3.5%</b>       | <b>3,470.0</b>    | <b>4.2%</b>       | <b>3,615.4</b>    | <b>3.5%</b>       | <b>3,740.2</b>    |
| 32 <b>Total Uses</b>  | <b>3,821.0</b> | <b>3,735.3</b>  | <b>0.2%</b>                  | <b>3,829.2</b>    | <b>0.7%</b>       | <b>3,856.9</b>    | <b>3.4%</b>       | <b>3,988.1</b>    | <b>4.1%</b>       | <b>4,152.3</b>    | <b>3.7%</b>       | <b>4,303.9</b>    | <b>3.1%</b>       | <b>4,438.2</b>    |
| 33 <b>(Gap)/Available</b>   | <b>0.000</b>   | <b>0.000</b>    |                              | <b>0.000</b>      |                   | <b>0.000</b>      |                   | <b>0.000</b>      |                   | <b>0.000</b>      |                   | <b>0.000</b>      |                   | <b>0.000</b>      |

## Notes:

1. FY12-17 property tax revenues are at the Charter Limit assuming a tax credit. All other tax revenues at current rates except as noted below.
2. Revenues reflect Energy Tax and Wireless Telephone Tax increases approved by the County Council on May 27, 2010. Energy Tax increase sunsets at the end of FY12.
3. PAYGO restored to policy level of 10% of planned GO Bond borrowing in FY12-17. See Row 14 above.
4. FY11 Revenues reflect one year redirection of Recordation Tax Premium (\$11 M.) and Recordation Tax for MCPS CIP and College IT (\$5 M.).
5. Retiree Health Insurance Pre-Funding assumed to resume at scheduled contribution levels in FY12. See Row 20 above.
6. Projected FY12-17 rate of growth of Agency Uses constrained to balance the fiscal plan in FY12-17.
7. FY11 Reserves reflect restoration of reserves to current 6% (of tax supported resources) policy level. FY10 and FY11 reserves (see Rows 34-42 below) include all County and Outside Agency tax supported reserves.
8. FY12-17 Unrestricted General Fund Reserves are reduced in certain years to reflect compliance with Section 310 of the County Charter on maximum size of the general fund balance (shall not exceed 5% of prior year general fund revenues). Outside Agency reserves are excluded from these amounts and are displayed separately (see Rows 16 and 17 above).
9. FY12-17 Reserves reflect new reserve policy including increase in reserve levels and inclusion of capital projects and grant revenues as part of Adjusted Governmental Revenues.

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| (\$ in Millions)   |              |              |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
|--|--------------|--------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | App.<br>FY11 | Est.<br>FY11 | % Chg.<br>FY11-12 | Projected<br>FY12 | % Chg.<br>FY12-13 | Projected<br>FY13 | % Chg.<br>FY13-14 | Projected<br>FY14 | % Chg.<br>FY14-15 | Projected<br>FY15 | % Chg.<br>FY15-16 | Projected<br>FY16 | % Chg.<br>FY16-17 | Projected<br>FY17 |
| <b>Beginning Reserves</b>  |              |              |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Unrestricted General Fund  | 29.7         | 38.2         | 20.7%             | 46.1              | 188.4%            | 133.0             | 3.6%              | 137.8             | 0.4%              | 138.4             | 4.0%              | 144.0             | 5.0%              | 151.1             |
| Revenue Stabilization Fund   | 60.4         | 74.9         | 25.6%             | 94.1              | 21.1%             | 114.0             | 17.6%             | 134.0             | 15.5%             | 154.7             | 13.9%             | 176.3             | 12.7%             | 198.7             |
| <b>Total Reserves</b>  | <b>90.1</b>  | <b>113.1</b> | <b>23.9%</b>      | <b>140.2</b>      | <b>76.2%</b>      | <b>247.0</b>      | <b>10.1%</b>      | <b>271.8</b>      | <b>7.8%</b>       | <b>293.1</b>      | <b>9.2%</b>       | <b>320.3</b>      | <b>9.2%</b>       | <b>349.8</b>      |
| <b>Additions to Reserves</b>   |              |              |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Unrestricted General Fund  | 107.1        | 7.9          | 1000.6%           | 86.9              | 94.5%             | 4.8               | -87.7%            | 0.6               | -834.0%           | 5.5               | 30.2%             | 7.2               | 52.8%             | 11.0              |
| Revenue Stabilization Fund   | 33.9         | 19.2         | 3.7%              | 19.9              | 0.7%              | 20.0              | 3.4%              | 20.7              | 4.1%              | 21.6              | 3.7%              | 22.4              | 3.1%              | 23.1              |
| <b>Total Change in Reserves</b>  | <b>141.1</b> | <b>27.1</b>  | <b>294.3%</b>     | <b>106.8</b>      | <b>-76.7%</b>     | <b>24.8</b>       | <b>-14.2%</b>     | <b>21.3</b>       | <b>27.1%</b>      | <b>27.1</b>       | <b>9.1%</b>       | <b>29.6</b>       | <b>15.2%</b>      | <b>34.1</b>       |
| <b>Ending Reserves</b>   |              |              |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Unrestricted General Fund  | 136.8        | 46.1         | 188.4%            | 133.0             | 3.6%              | 137.8             | 0.4%              | 138.4             | 4.0%              | 144.0             | 5.0%              | 151.1             | 7.3%              | 162.1             |
| Revenue Stabilization Fund   | 94.3         | 94.1         | 21.1%             | 114.0             | 17.6%             | 134.0             | 15.5%             | 154.7             | 13.9%             | 176.3             | 12.7%             | 198.7             | 11.6%             | 221.7             |
| <b>Total</b>   | <b>231.2</b> | <b>140.2</b> | <b>76.2%</b>      | <b>247.0</b>      | <b>10.1%</b>      | <b>271.8</b>      | <b>7.8%</b>       | <b>293.1</b>      | <b>9.2%</b>       | <b>320.3</b>      | <b>9.2%</b>       | <b>349.8</b>      | <b>9.7%</b>       | <b>383.9</b>      |
| <b>Reserves as a % of Total Tax Supported Revenues Plus CIP &amp; Operating Grant Revenues</b> | <b>6.0%</b>  | <b>3.7%</b>  |                   | <b>6.4%</b>       |                   | <b>6.8%</b>       |                   | <b>7.1%</b>       |                   | <b>7.5%</b>       |                   | <b>7.9%</b>       |                   | <b>8.4%</b>       |
| <b>Agency Reserves</b>   |              |              |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Montgomery College   | 0.0          | 15.8         | -74.9%            | 4.0               | 2.1%              | 4.0               | 3.1%              | 4.2               | 3.0%              | 4.3               | 2.8%              | 4.4               | 1.7%              | 4.5               |
| M-NCPPC  | 0.0          | 4.3          | 1.7%              | 4.3               | 3.0%              | 4.5               | 3.7%              | 4.6               | 3.5%              | 4.8               | 3.7%              | 5.0               | 3.7%              | 5.1               |
| <b>MCG + Agency Reserves as a % of Adjusted Govt Revenues</b>                                  |              | <b>4.2%</b>  |                   | <b>6.6%</b>       |                   | <b>7.0%</b>       |                   | <b>7.3%</b>       |                   | <b>7.7%</b>       |                   | <b>8.1%</b>       |                   | <b>8.6%</b>       |
| <b>Retiree Health Insurance Pre-Funding</b>  |              |              |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Montgomery County Public Schools (MCPS)  | -            | -            |                   | 53.2              |                   | 64.8              |                   | 76.4              |                   | 87.7              |                   | 92.1              |                   | 96.7              |
| Montgomery College (MC)  | -            | -            |                   | 1.0               |                   | 1.2               |                   | 1.3               |                   | 1.4               |                   | 1.5               |                   | 1.5               |
| MNCPPC (w/o Debt Service)  | -            | -            |                   | 4.4               |                   | 5.1               |                   | 5.6               |                   | 6.1               |                   | 6.4               |                   | 6.7               |
| MCG  | -            | -            |                   | 25.0              |                   | 31.5              |                   | 38.4              |                   | 44.6              |                   | 46.8              |                   | 46.8              |
| <b>Subtotal Retiree Health Insurance Pre-Funding</b>   | <b>-</b>     | <b>-</b>     | <b>-</b>          | <b>83.6</b>       | <b>-</b>          | <b>102.6</b>      | <b>-</b>          | <b>121.7</b>      | <b>-</b>          | <b>139.8</b>      | <b>-</b>          | <b>146.8</b>      | <b>-</b>          | <b>151.8</b>      |

|    | B                                      | C             | D             | E              | F             | G             |
|----|--|---------------|---------------|----------------|---------------|---------------|
| 1  | <b>FY12 Major Known Commitments</b>    |               |               |                |               |               |
| 2  |  |               |               |                |               |               |
| 3  |  | <b>MCPS</b>   | <b>MCG</b>    | <b>College</b> | <b>MNCPPC</b> | <b>Total</b>  |
| 4  | FY11 Approved Budget                   | 1,919,842,746 | 1,163,556,250 | 215,774,676    | 92,653,170    | 3,391,826,842 |
| 5  |  |               |               |                |               |               |
| 6  | Potential or Negotiated Compensation   |               |               |                |               |               |
| 7  | General wage adjustment                |               |               |                | 541,413       | 541,413       |
| 8  | Steps/service increments               |               |               |                | 279,461       | 279,461       |
| 9  | Other projected bargaining costs       |               |               |                |               | 0             |
| 10 | Group insurance cost increases         | 28,647,008    | 7,349,810     | 750,000        | 656,781       | 37,403,599    |
| 11 | Retirement cost increases              | 6,145,386     | 11,722,300    | 150,000        | 2,507,400     | 20,525,086    |
| 12 | Annualization of Positions             |               | (50,710)      | 44,000         |               | (6,710)       |
| 13 | Cost increase due to enrollment        | 13,895,800    |               | 989,491        |               | 14,885,291    |
| 14 | Elimination of One-Time Items          | (360,750)     | (7,854,110)   |                |               | (8,214,860)   |
| 15 | Restoration of Furlough Reduction      |               | 10,687,530    | 2,661,572      | 2,150,700     | 15,499,802    |
| 16 | Restoration of One-Time Reductions:    |               |               |                |               |               |
| 17 | Road Maintenance                       |               | 4,558,740     |                |               | 4,558,740     |
| 18 | Desktop Computer Replacement           |               | 3,300,000     |                |               | 3,300,000     |
| 19 | Vehicle Replacement                    |               | 7,944,520     |                |               | 7,944,520     |
| 20 | Other                                  |               | 4,628,570     |                |               | 4,628,570     |
| 21 | Operating Impact of Capital Projects:  |               |               |                |               |               |
| 22 | Facilities                             | 487,812       | 2,877,160     | 3,285,303      | 2,395,000     | 9,045,275     |
| 23 | Roads                                  |               | 206,000       |                |               | 206,000       |
| 24 | Tech Mod: Migration of Personnel Costs |               | 944,400       |                |               | 944,400       |
| 25 | Tech Mod: IT mtce agreements/licenses  |               | 1,506,060     |                |               | 1,506,060     |
| 26 | Programmatic obligations:              |               |               |                |               |               |
| 27 | Public Libraries Staffing              |               | 343,160       |                |               | 343,160       |
| 28 | Fire Rescue Recruit Class/SAFER Match  |               | 2,898,510     |                |               | 2,898,510     |
| 29 | Election Cycle Changes                 |               | (2,366,110)   |                |               | (2,366,110)   |
| 30 | AHCMC – Advancement Grants             |               | 300,000       |                |               | 300,000       |
| 31 | AHCMC – AFI                            |               | 500,000       |                |               | 500,000       |
| 32 | Community Grants: CIP Cost Sharing     |               | 250,000       |                |               | 250,000       |
| 33 | Community Grants NDA                   |               | 3,084,060     |                |               | 3,084,060     |
| 34 | Fire Rescue Apparatus Master Leases    |               | 255,340       |                |               | 255,340       |
| 35 | Electronic Patient Care Reporting      |               | 192,000       |                |               | 192,000       |
| 36 | Conservation Corps/PIIT Annualizations |               | 213,510       |                |               | 213,510       |
| 37 | Biennial Hall of Fame                  |               | 7,570         |                |               | 7,570         |
| 38 | Resident Survey                        |               | 38,800        |                |               | 38,800        |

|    | B  | C                    | D                    | E                  | F                  | G                    |
|----|--|----------------------|----------------------|--------------------|--------------------|----------------------|
| 1  | <b>FY12 Major Known Commitments</b>          |                      |                      |                    |                    |                      |
| 2  |  |                      |                      |                    |                    |                      |
| 3  |  | <b>MCPS</b>          | <b>MCG</b>           | <b>College</b>     | <b>MNCPPC</b>      | <b>Total</b>         |
| 39 | Working Families Income Supplement           |                      | 2,327,800            |                    |                    | 2,327,800            |
| 40 | New Leases (Addiction Services, others)      |                      | 1,448,390            |                    |                    | 1,448,390            |
| 41 | County Attorney Disparity Study              |                      | 600,000              |                    |                    | 600,000              |
| 42 | EDF Commitments (Costco, Thales, etc)        |                      | 3,775,000            |                    |                    | 3,775,000            |
| 43 | Scheduled Programmatic Reductions:           |                      |                      |                    |                    |                      |
| 44 | Maryland Clean Energy Center                 |                      | (286,200)            |                    |                    | (286,200)            |
| 45 | Timesheet Data Entry Contract                |                      | (75,000)             |                    |                    | (75,000)             |
| 46 | Lease Terminations                           |                      | (592,210)            |                    |                    | (592,210)            |
| 47 | Tranit Services Master Leases                |                      | (1,225,220)          |                    |                    | (1,225,220)          |
| 48 | Inflation:                                   |                      |                      |                    |                    |                      |
| 49 | Service Contracts (DGS)                      |                      | 196,000              |                    |                    | 196,000              |
| 50 | Materials Contracts (DOT)                    |                      | 110,000              |                    |                    | 110,000              |
| 51 | Energy/utility costs                         | 3,615,203            | 1,000,000            | 297,675            | 321,026            | 5,233,904            |
| 52 | Fuel/rate increases                          | 1,299,029            | 2,000,000            |                    |                    | 3,299,029            |
| 53 | Instructional materials/other                |                      |                      |                    |                    | 0                    |
| 54 | Nonpublic placements                         | 2,786,998            |                      |                    |                    | 2,786,998            |
| 55 | Other  |                      |                      | 250,000            |                    | 250,000              |
| 56 | Other inescapable cost increases:            |                      |                      |                    |                    |                      |
| 57 | Liability insurance, workers compensation    | 2,787,565            | 959,890              | 100,000            | 625,090            | 4,472,545            |
| 58 | Maintenance, transportation, etc.            | 631,990              |                      |                    |                    | 631,990              |
| 59 |  |                      |                      |                    |                    |                      |
| 60 | <b>Total Major Known Commitments</b>         | <b>59,936,041</b>    | <b>63,775,560</b>    | <b>8,528,041</b>   | <b>9,476,871</b>   | <b>141,716,513</b>   |
| 61 |  |                      |                      |                    |                    |                      |
| 62 | <b>Total Projected FY12 Agency Spending</b>  | <b>1,979,778,787</b> | <b>1,227,331,810</b> | <b>224,302,717</b> | <b>102,130,041</b> | <b>3,533,543,355</b> |
| 63 | % Change                                     | 3.1%                 | 5.5%                 | 4.0%               | 10.2%              | 4.2%                 |
| 64 | <b>MCPS/College at Maintenance of Effort</b> | <b>2,005,647,663</b> | <b>1,227,331,810</b> | <b>224,025,593</b> | <b>102,130,041</b> | <b>3,559,135,107</b> |
| 65 | % Change                                     | 4.5%                 | 5.5%                 | 3.8%               | 10.2%              | 4.9%                 |

**REVENUE SUMMARY**  
**TAX SUPPORTED BUDGETS**  
(\$ Millions)

| A<br>KEY REVENUE<br>CATEGORIES  | C<br>Estimate<br>FY10 | F<br>App.<br>FY11 | F<br>Estimate<br>FY11 | D<br>% Chg.<br>FY11-12 | E<br>% Chg.<br>FY11-12 | H<br>Rec.<br>FY12 | I<br>% Chg.<br>FY12-13 | J<br>Projected<br>FY13 | K<br>% Chg.<br>FY13-14 | L<br>Projected<br>FY14 | M<br>% Chg.<br>FY14-15 | N<br>Projected<br>FY15 | O<br>% Chg.<br>FY15-16 | P<br>Projected<br>FY16 | O<br>% Chg.<br>FY16-17 | P<br>Projected<br>FY17 |
|---------------------------------|-----------------------|-------------------|-----------------------|------------------------|------------------------|-------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| <b>TAXES</b>                    | 5-27-10               | 5-27-10           | 5-27-10               | Rec/Bud                | Rec/Est                |                   |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| 1 Property Tax (less PDs)       | 1,437.8               | 1,450.1           | 1,436.7               | 1.3%                   | 2.2%                   | 1,468.7           | 2.9%                   | 1,511.3                | 3.5%                   | 1,563.5                | 3.2%                   | 1,613.7                | 3.5%                   | 1,670.3                | 3.8%                   | 1,733.1                |
| 2 Income Tax                    | 1,026.3               | 1,060.7           | 1,030.2               | 3.9%                   | 6.9%                   | 1,101.7           | 6.6%                   | 1,174.3                | 4.4%                   | 1,225.7                | 7.9%                   | 1,321.9                | 5.2%                   | 1,390.7                | 4.1%                   | 1,447.5                |
| 3 Transfer Tax                  | 68.7                  | 75.7              | 75.5                  | 8.3%                   | 8.6%                   | 82.0              | 10.7%                  | 90.7                   | 7.9%                   | 97.9                   | 0.6%                   | 98.5                   | 6.1%                   | 104.5                  | 1.9%                   | 106.5                  |
| 4 Recordation Tax               | 46.1                  | 51.0              | 42.8                  | 0.8%                   | 20.0%                  | 51.4              | 9.1%                   | 56.1                   | 5.5%                   | 59.2                   | 0.4%                   | 59.4                   | 7.8%                   | 64.0                   | 2.0%                   | 65.3                   |
| 4a Recordation Tax Premium      | 0.0                   | 8.2               | 11.1                  | -100.0%                | -100.0%                | 0.0               | 0.0%                   | 0.0                    | 0.0%                   | 0.0                    | 0.0%                   | 0.0                    | 0.0%                   | 0.0                    | 0.0%                   | 0.0                    |
| 4a Recordation Tax CIP          | 0.0                   | 5.0               | 5.0                   | -100.0%                | -100.0%                | 0.0               | 0.0%                   | 0.0                    | 0.0%                   | 0.0                    | 0.0%                   | 0.0                    | 0.0%                   | 0.0                    | 0.0%                   | 0.0                    |
| 5 Energy Tax                    | 153.6                 | 245.5             | 243.2                 | 1.5%                   | 2.5%                   | 249.3             | -44.5%                 | 138.4                  | 2.1%                   | 141.4                  | 1.4%                   | 143.4                  | 0.8%                   | 144.5                  | 1.5%                   | 146.7                  |
| 6 Telephone Tax                 | 29.5                  | 48.4              | 47.1                  | 1.0%                   | 3.7%                   | 48.9              | 4.1%                   | 50.9                   | 4.5%                   | 53.2                   | 4.8%                   | 55.7                   | 5.1%                   | 58.5                   | 5.3%                   | 61.6                   |
| 7 Hotel/Motel Tax               | 15.8                  | 17.4              | 18.0                  | 7.4%                   | 3.8%                   | 18.6              | 4.7%                   | 19.5                   | 4.3%                   | 20.3                   | 4.3%                   | 21.2                   | 4.4%                   | 22.1                   | 4.3%                   | 23.1                   |
| 8 Admissions Tax                | 2.1                   | 2.0               | 1.9                   | -11.2%                 | -3.9%                  | 1.8               | -3.5%                  | 1.8                    | -3.5%                  | 1.7                    | -3.3%                  | 1.6                    | -3.2%                  | 1.6                    | -4.1%                  | 1.5                    |
| 9 Total Local Taxes             | 2,780.0               | 2,964.0           | 2,911.5               | 2.0%                   | 3.8%                   | 3,022.4           | 0.7%                   | 3,042.9                | 3.9%                   | 3,162.7                | 4.8%                   | 3,315.3                | 4.3%                   | 3,456.3                | 3.7%                   | 3,585.3                |
| <b>INTERGOVERNMENTAL AID</b>    |                       |                   |                       |                        |                        |                   |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| 10 Highway User                 | 1.0                   | 0.9               | 1.1                   | 29.6%                  | 5.2%                   | 1.1               | 5.3%                   | 1.2                    | 5.3%                   | 1.3                    | 5.3%                   | 1.3                    | 5.3%                   | 1.4                    | 5.2%                   | 1.5                    |
| 11 Police Protection            | 8.2                   | 8.2               | 8.2                   | 0.0%                   | 0.0%                   | 8.2               | 0.0%                   | 8.2                    | 0.0%                   | 8.2                    | 0.0%                   | 8.2                    | 0.0%                   | 8.2                    | 0.0%                   | 8.2                    |
| 12 Libraries                    | 5.4                   | 5.4               | 5.4                   | 0.0%                   | 0.0%                   | 5.4               | 0.0%                   | 5.4                    | 0.0%                   | 5.4                    | 0.0%                   | 5.4                    | 0.0%                   | 5.4                    | 0.0%                   | 5.4                    |
| 13 Health Services Case Formula | 3.6                   | 3.6               | 3.6                   | 0.0%                   | 0.0%                   | 3.6               | 0.0%                   | 3.6                    | 0.0%                   | 3.6                    | 0.0%                   | 3.6                    | 0.0%                   | 3.6                    | 0.0%                   | 3.6                    |
| 14 Mass Transit                 | 44.9                  | 22.8              | 22.8                  | 0.0%                   | 0.0%                   | 22.8              | 0.0%                   | 22.8                   | 0.0%                   | 22.8                   | 0.0%                   | 22.8                   | 0.0%                   | 22.8                   | 0.0%                   | 22.8                   |
| 15 Public Schools               | 441.1                 | 488.6             | 488.6                 | 2.8%                   | 2.8%                   | 502.5             | 0.0%                   | 502.5                  | 0.0%                   | 502.5                  | 0.0%                   | 502.5                  | 0.0%                   | 502.5                  | 0.0%                   | 502.5                  |
| 16 Community College            | 30.9                  | 30.6              | 30.6                  | -2.7%                  | -2.7%                  | 29.8              | 0.0%                   | 29.8                   | 0.0%                   | 29.8                   | 0.0%                   | 29.8                   | 0.0%                   | 29.8                   | 0.0%                   | 29.8                   |
| 17 Direct Reimbursements        | 20.0                  | 14.2              | 14.2                  | 0.0%                   | 0.0%                   | 14.2              | 0.0%                   | 14.2                   | 0.0%                   | 14.2                   | 0.0%                   | 14.2                   | 0.0%                   | 14.2                   | 0.0%                   | 14.2                   |
| 17a Direct Reimb. DSS Services  | 0.0                   | 0.0               | 0.0                   | n/a                    | n/a                    | 0.0               | n/a                    | 0.0                    | n/a                    | 0.0                    | n/a                    | 0.0                    | n/a                    | 0.0                    | n/a                    | 0.0                    |
| 18 Other                        | 10.0                  | 9.4               | 9.4                   | 0.0%                   | 0.0%                   | 9.4               | 0.0%                   | 9.4                    | 0.0%                   | 9.4                    | 0.0%                   | 9.4                    | 0.0%                   | 9.4                    | 0.0%                   | 9.4                    |
| 19 Subtotal State Aid           | 565.1                 | 583.8             | 584.0                 | 2.3%                   | 2.2%                   | 597.1             | 0.0%                   | 597.2                  | 0.0%                   | 597.2                  | 0.0%                   | 597.3                  | 0.0%                   | 597.4                  | 0.0%                   | 597.4                  |
| 20 Federal Aid                  | 4.4                   | 30.6              | 13.6                  | -81.6%                 | -58.4%                 | 5.6               | 0.0%                   | 5.6                    | 0.0%                   | 5.6                    | 0.0%                   | 5.6                    | 0.0%                   | 5.6                    | 0.0%                   | 5.6                    |
| 21 Total Intergovernmental Aid  | 569.5                 | 614.3             | 597.5                 | -1.9%                  | 0.9%                   | 602.7             | 0.0%                   | 602.8                  | 0.0%                   | 602.9                  | 0.0%                   | 602.9                  | 0.0%                   | 603.0                  | 0.0%                   | 603.1                  |
| <b>FEES AND FINES</b>           |                       |                   |                       |                        |                        |                   |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| 22 Licenses & Permits           | 12.3                  | 12.1              | 12.1                  | 1.5%                   | 1.5%                   | 12.3              | 1.5%                   | 12.5                   | 1.5%                   | 12.7                   | 1.5%                   | 12.8                   | 1.5%                   | 13.0                   | 1.5%                   | 13.2                   |
| 23 Charges for Services         | 48.4                  | 65.5              | 51.3                  | -20.2%                 | 1.8%                   | 52.3              | 2.0%                   | 53.3                   | 2.2%                   | 54.5                   | 2.3%                   | 55.7                   | 2.4%                   | 57.1                   | 2.4%                   | 58.5                   |
| 24 Fines & Forfeitures          | 26.0                  | 26.3              | 26.3                  | 1.6%                   | 1.6%                   | 26.7              | 1.6%                   | 27.1                   | 1.6%                   | 27.6                   | 1.6%                   | 28.0                   | 1.6%                   | 28.5                   | 1.6%                   | 28.9                   |
| 25 Montgomery College Tuition   | 75.3                  | 78.1              | 78.1                  | 5.0%                   | 5.0%                   | 82.0              | 2.0%                   | 83.6                   | 2.2%                   | 85.5                   | 2.3%                   | 87.4                   | 2.4%                   | 89.5                   | 2.4%                   | 91.7                   |
| 26 Total Fees and Fines         | 162.0                 | 182.0             | 167.8                 | -4.8%                  | 3.2%                   | 173.2             | 1.9%                   | 176.5                  | 2.1%                   | 180.2                  | 2.2%                   | 184.0                  | 2.2%                   | 188.1                  | 2.2%                   | 192.3                  |
| <b>MISCELLANEOUS</b>            |                       |                   |                       |                        |                        |                   |                        |                        |                        |                        |                        |                        |                        |                        |                        |                        |
| 27 Investment Income            | 1.3                   | 3.6               | 1.3                   | -51.0%                 | 33.4%                  | 1.8               | 176.0%                 | 4.9                    | 138.7%                 | 11.8                   | 57.1%                  | 18.5                   | 30.3%                  | 24.1                   | 0.0%                   | 24.1                   |
| 28 Other Miscellaneous          | 101.0                 | 15.3              | 15.3                  | 2.3%                   | 2.3%                   | 15.7              | 2.5%                   | 16.1                   | 2.8%                   | 16.5                   | 2.9%                   | 17.0                   | 3.0%                   | 17.5                   | 3.0%                   | 18.0                   |
| 29 Total Miscellaneous          | 102.4                 | 19.0              | 16.7                  | -8.0%                  | 4.8%                   | 17.5              | 20.2%                  | 21.0                   | 34.7%                  | 28.3                   | 25.5%                  | 35.5                   | 17.2%                  | 41.6                   | 1.3%                   | 42.1                   |
| 30 TOTAL REVENUES               | 3,613.9               | 3,779.2           | 3,693.5               | 1.0%                   | 3.3%                   | 3,815.8           | 0.7%                   | 3,843.2                | 3.4%                   | 3,974.1                | 4.1%                   | 4,137.8                | 3.7%                   | 4,289.0                | 3.1%                   | 4,422.8                |
| 31 \$ Change from prior Budget  | (67.2)                | 165.4             | 79.7                  |                        |                        | 36.6              |                        | 27.4                   |                        | 130.8                  |                        | 163.8                  |                        | 151.2                  |                        | 133.8                  |
| Property Tax @ FIT              | 0.0                   | 0.0               | 0.0                   |                        |                        | 0.0               |                        | 0.0                    |                        | 0.0                    |                        | 0.0                    |                        | 0.0                    |                        | 0.0                    |
| <b>TOTAL REVENUES ADJUSTED</b>  | 3,613.9               | 3,779.2           | 3,693.5               | 1.0%                   | 3.3%                   | 3,815.8           | 0.7%                   | 3,843.2                | 3.4%                   | 3,974.1                | 4.1%                   | 4,137.8                | 3.7%                   | 4,289.0                | 3.1%                   | 4,422.8                |

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**Montgomery County, Maryland**

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**DECEMBER 2010  
REVENUE UPDATE AND  
SELECTED ECONOMIC  
INDICATORS**

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**Department of Finance**

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**December 14, 2010**



## ***Overview***

- **Finance provides a full revenue update in December of each year, after the November income tax distribution**
- **At this time, near final data are known about the prior year income tax receipts, and updates are available to certain economic factors**
- **Another full update is done for the March budget**

# **ECONOMIC OUTLOOK - SUMMARY**





## ***Economic Recovery vs. Fiscal Recovery***

- **Historically, a fiscal recovery lags an economic recovery by 12 to 18 months.**
- **Certain economic indicators can point to recovery, but revenues can continue to decline.**
- **This can be due to lags in the receipt of revenues related to the fiscal improvement (e.g. income tax) or built in process lags (e.g. triennial reassessment cycle).**
- **Lags can also be behavioral – e.g., consumer spending, real estate market.**
- **The recent length (last three cycles) of an economic recovery and expansion (e.g., from trough to peak) has averaged about 95 months according to the National Bureau of Economic Research.**



## ***Current Signs of Economic Recovery***

- Drop in unemployment rate from 5.7% to 5.2%.**
- Stock market recovery**
- Home prices show signs of modest improvement**
- Nationally, 11 months of modest private sector employment growth**

## ***Continued Causes of Concern***

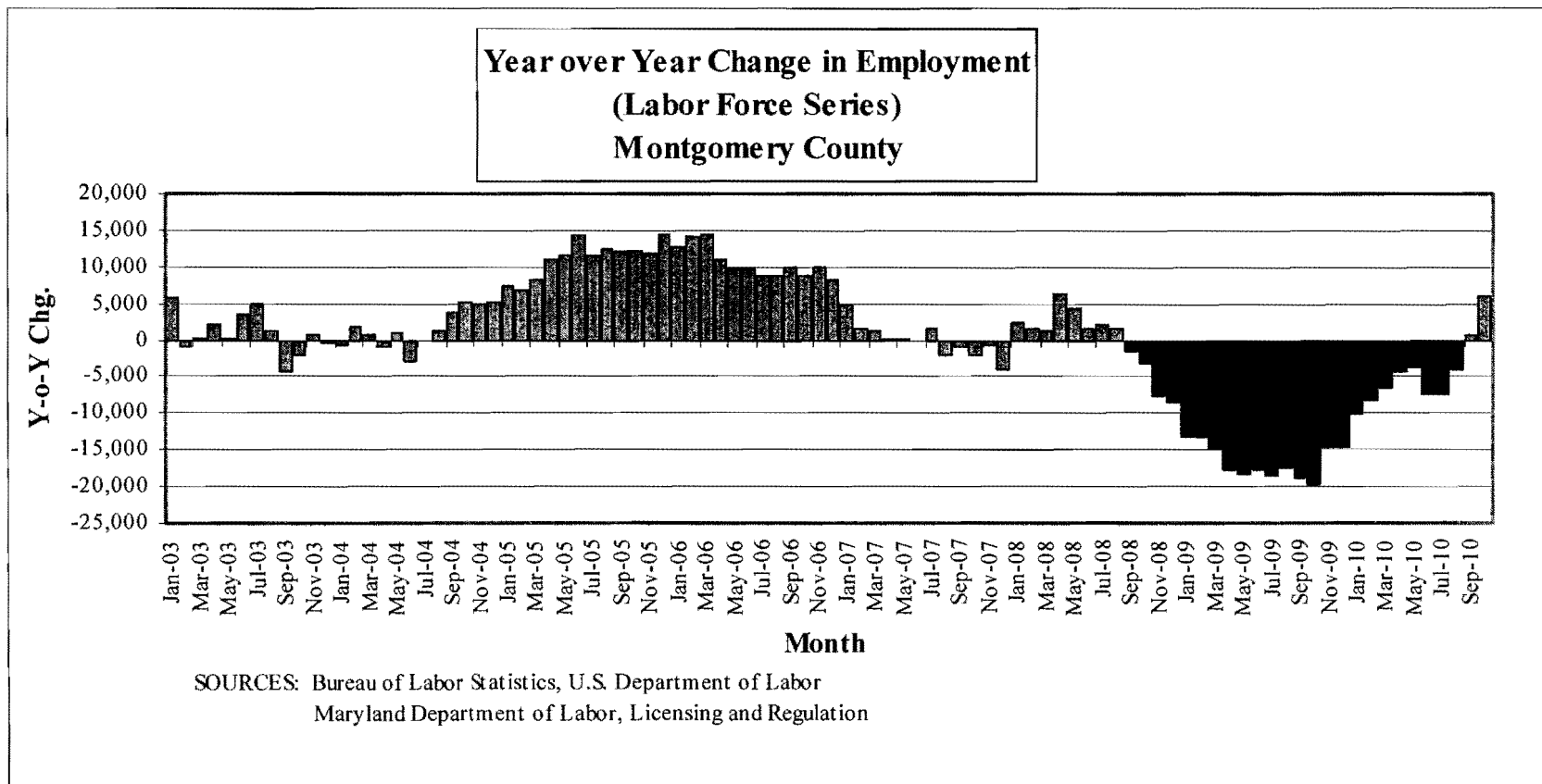
- Possible pull backs in federal spending**
- Federal wage freeze**
- Continued soft housing market due to home sales**
- Fed funds rate remains flat**
- State budget deficit of \$1.6 billion**
- Potential transfer of teacher's pension contribution to the County**

| ECG<br>INDICATOR<br>DATE | DATA                        | REVENUE<br>AFFECTED            | EXPLANATION   | COMPARISON                                       | Direction |
|--------------------------|-----------------------------|--------------------------------|---|--|-----------|
| INFLATION                | 1.75%<br>Jan.-Sept.<br>2010 | Property Taxes                 | Key determinant of property tax revenues at the Charter Limit             | 2009: 0.23%<br>2008: 4.52%                       | ↔         |
| UNEMPLOYMENT RATE        | 5.2%<br>Oct. 2010           | Income Taxes                   | Indicates overall health of the job market                                | Sept. 2010: 5.5%<br>Oct. 2009: 5.7%              | ↓         |
| RESIDENT EMPLOYMENT      | 486,557<br>Oct. 2010        | Income Taxes                   | Primary determinant of income tax receipts                                | Sept. 2010: 482,459<br>Oct. 2009: 480,667        | ↑         |
| PAYROLL EMPLOYMENT       | 471,937<br>Oct. 2010        | Income Taxes                   | Another determinant of income tax receipts                                | Sept 2010: 469,000<br>Oct. 2009: 462,337         | ↑         |
| STOCK MARKET - S&P 500   | 1224.71<br>As of<br>Dec. 3  | Income Taxes                   | Key determinant of capital gains portion of the income tax                | December 31st:<br>2009: 1,115.10<br>2008: 903.25 | ↑         |
| HOME SALES               | 679<br>Oct. 2010            | Transfer/<br>Recordation Taxes | Indicates activity affecting receipts                                     | Sept. 2010: 748<br>Oct. 2009: 942                | ↓         |
| HOME PRICES              | \$444.396<br>Oct. 2010      | Transfer/<br>Recordation Taxes | Taxes are based on values, affects amount of taxes collected              | Sept. 2010: \$429,842<br>Oct. 2009: \$427,436    | ↑         |
| FEDERAL FUNDS RATE       | 0.19%<br>Nov. 2010          | Investment Income              | County's return on investments closely correlated with the Fed Fund rates | Oct. 2010: 0.19%<br>Nov. 2009: 0.12 %            | ↔         |

MC Department of Finance December 2010 Revenue Update

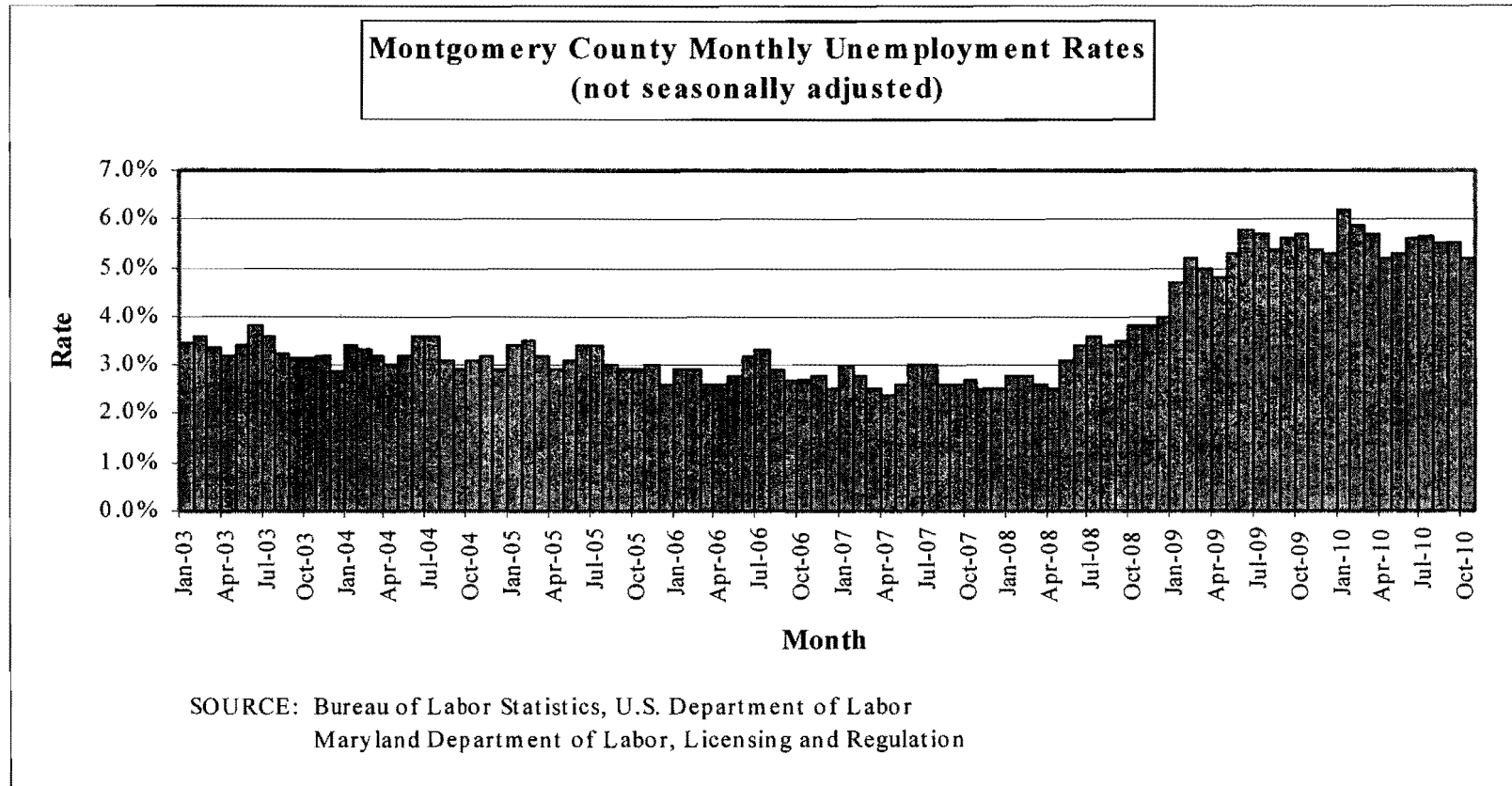
# Resident Employment is Rising

Resident employment in Montgomery County was 486,600 in October compared to almost 480,700 in October'09 - an increase of 5,900. The year-over-year increase in October was the largest since April 2008.



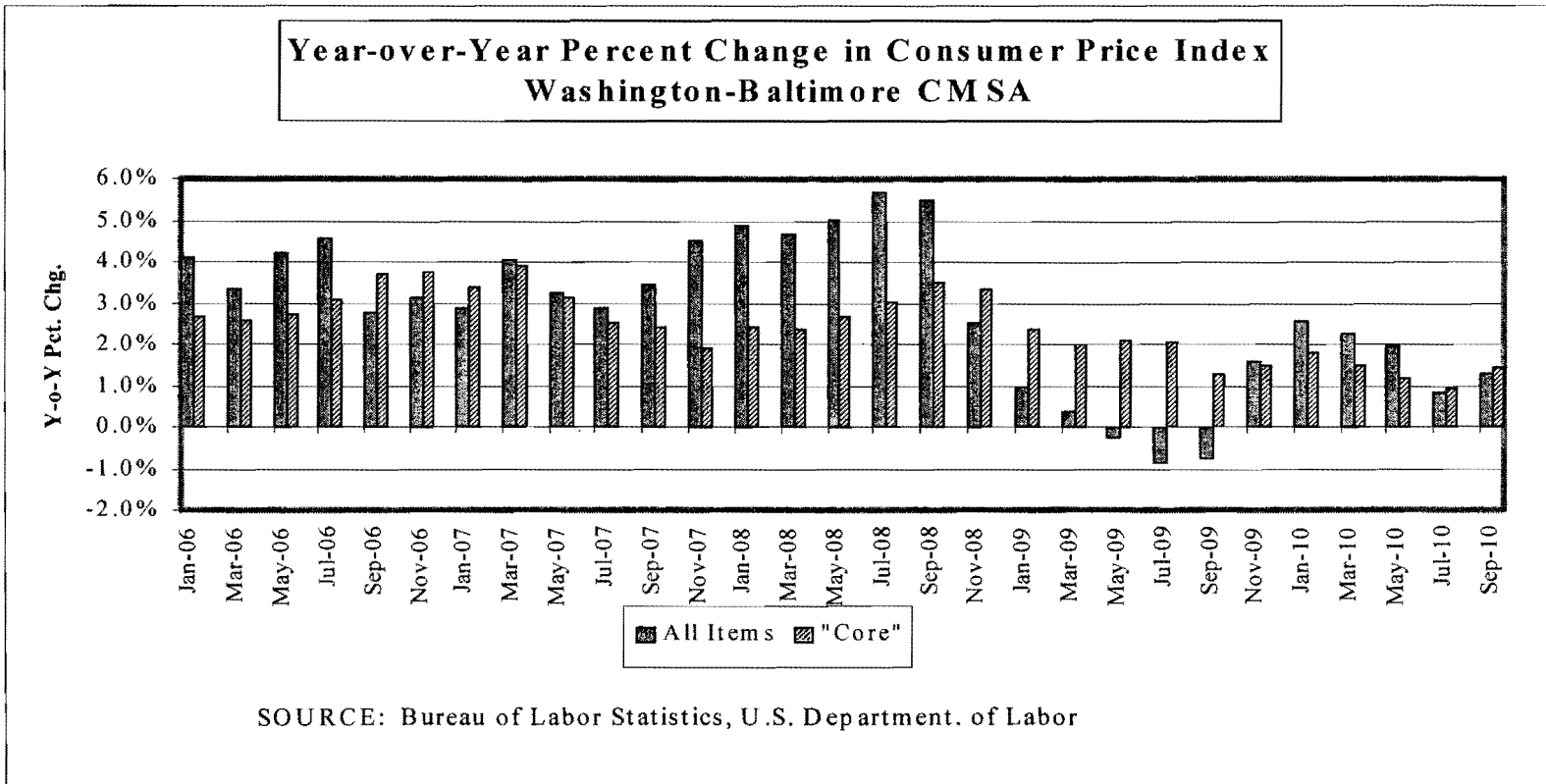
# ***The Unemployment Rate has Decreased***

Because of the steady decline in the County's employment, the unemployment rate has risen from 3.8 percent in October 2008 to 5.2 percent in October of this year.



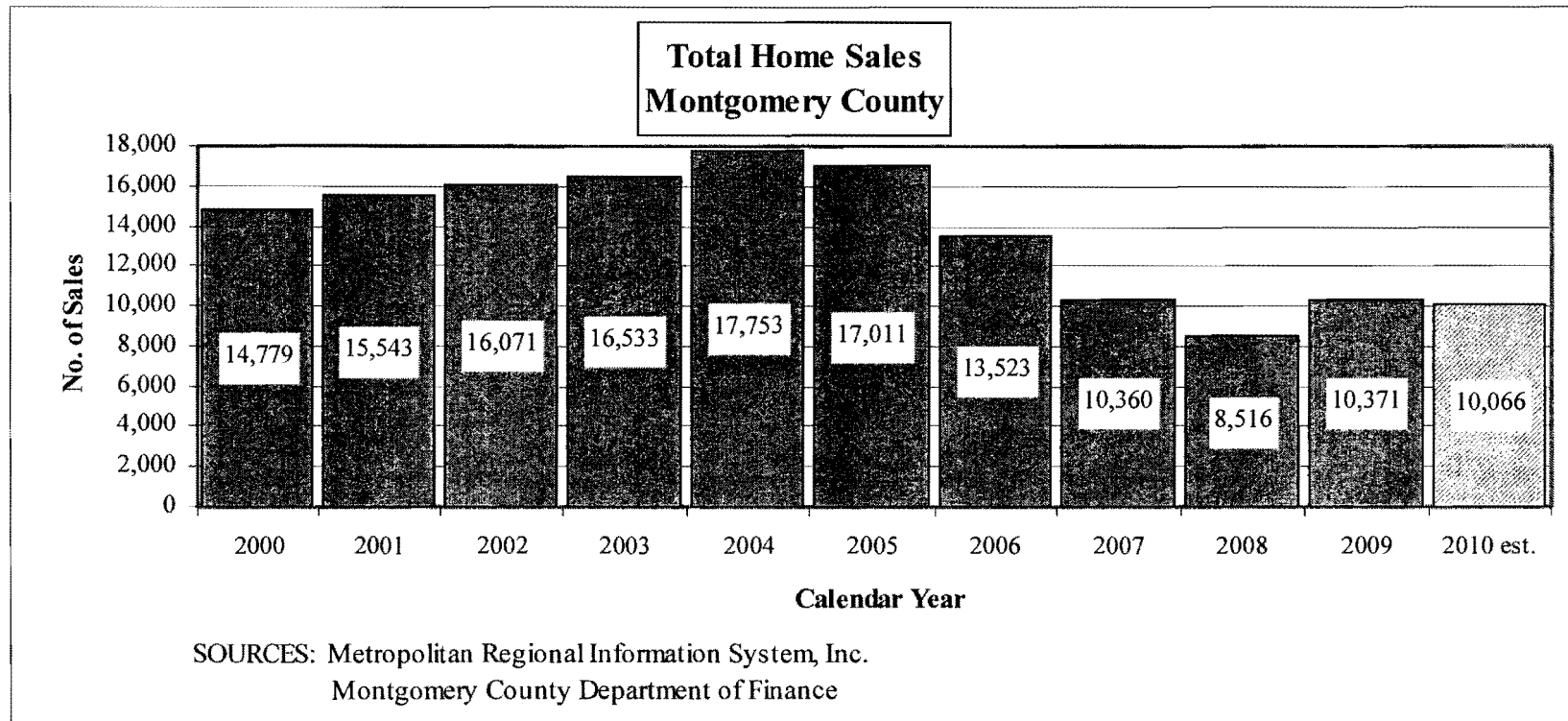
## ***The consumer price index (CPI) Remains Subdued***

Overall for the Washington-Baltimore consolidated region the CPI increased a modest 1.3 percent in September compared to September '09. For the calendar year to date (January through September), the index increased 1.8 percent compared to -0.2 percent in 2009.



# Home Sales are Down

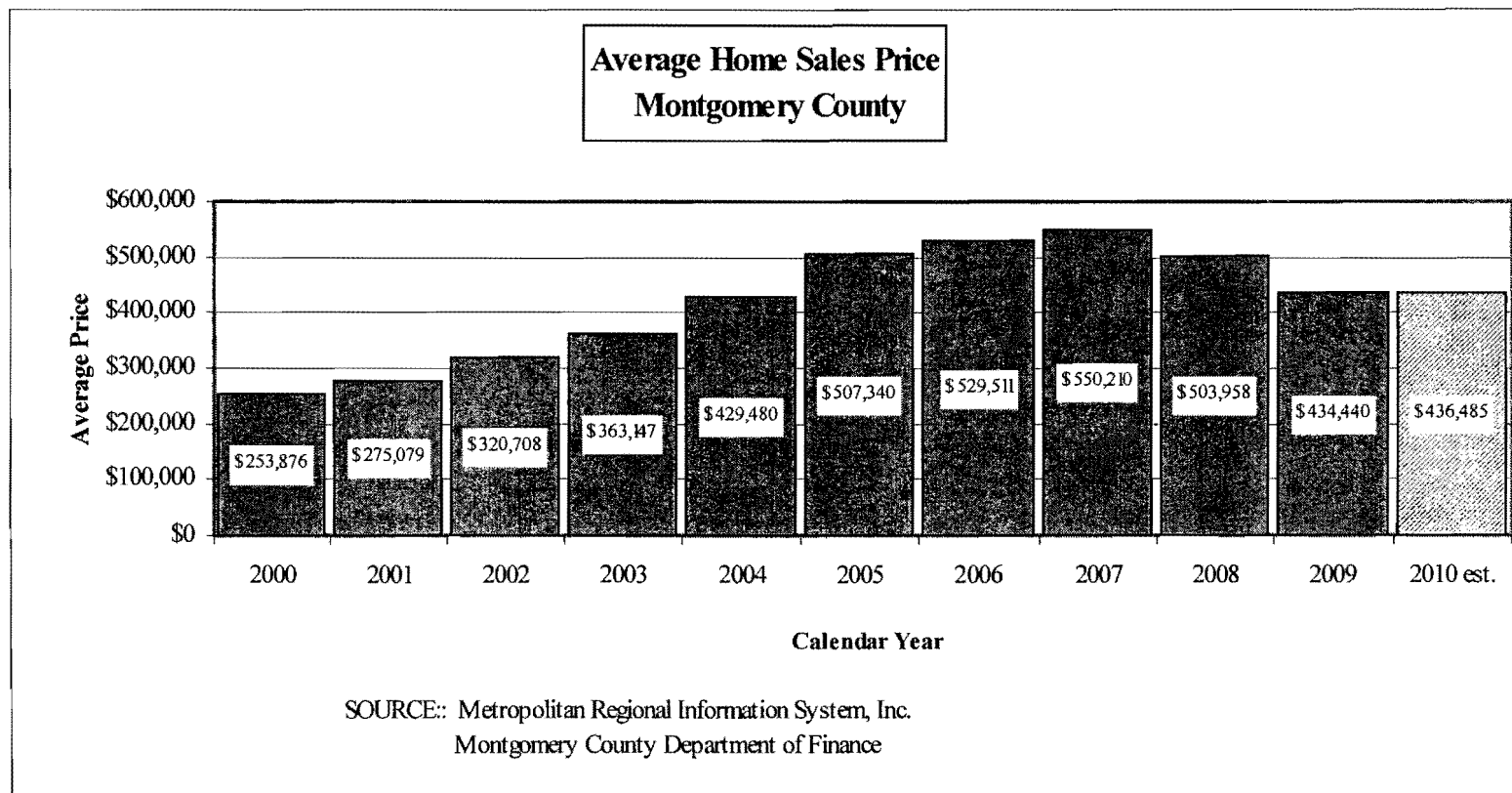
With the expiration of the Federal first-time homebuyers credit, total sales of existing homes are expected to decrease 2.9 percent in 2010 compared to an increase of 21.8 percent in 2009.





# Average Home Sales Prices are Up

While the sales of existing homes in the County are expected to decrease in 2010, the average sales price is expected to increase by less than 1 percent, which follows decreases of 8.4 percent (2008) and 13.8 percent (2009).



# REVENUE UPDATE

## ***FY11 and 12 Summary***

**The outlook for the remainder of this fiscal year (FY11) and next year (FY12) suggests a further decline in revenues compared to the estimates prepared for the FY11 budget. The combined shortfall in FY11 and FY12 is nearly \$160 million lower than previously estimated.**

# FY11 Revenue Update

***December revised revenues for FY11 are \$85.7 million below the FY11 Budget. One of the major contributors is the decline in income tax revenues.***

|                      | FY11 BUDGET - DECEMBER 2010 (\$MIL.) |                    |                   |
|----------------------|--------------------------------------|--------------------|-------------------|
|                      | FY11 Budget                          | Dec. Update        | Difference        |
| Income               | \$1,060.680                          | \$1,030.160        | (\$30.520)        |
| Property             | \$1,450.146                          | \$1,436.728        | (\$13.418)        |
| Transfer/Recordation | \$139.900                            | \$134.500          | (\$5.400)         |
| Other Taxes:         |                                      |                    |                   |
| --Admissions         | \$2.043                              | \$1.887            | (\$0.156)         |
| --Fuel/Energy        | \$245.500                            | \$243.180          | (\$2.320)         |
| --Telephone          | \$48.368                             | \$47.120           | (\$1.248)         |
| --Hotel/Motel        | \$17.353                             | \$17.956           | \$0.604           |
| Investment Income    | \$3.642                              | \$1.339            | (\$2.303)         |
| Ambulance Fee        | \$14.143                             | \$0.000            | (\$14.143)        |
| Other Revenues       | \$797.457                            | \$780.700          | (\$16.757)        |
| <b>TOTAL</b>         | <b>\$3,779.232</b>                   | <b>\$3,693.570</b> | <b>(\$85.662)</b> |



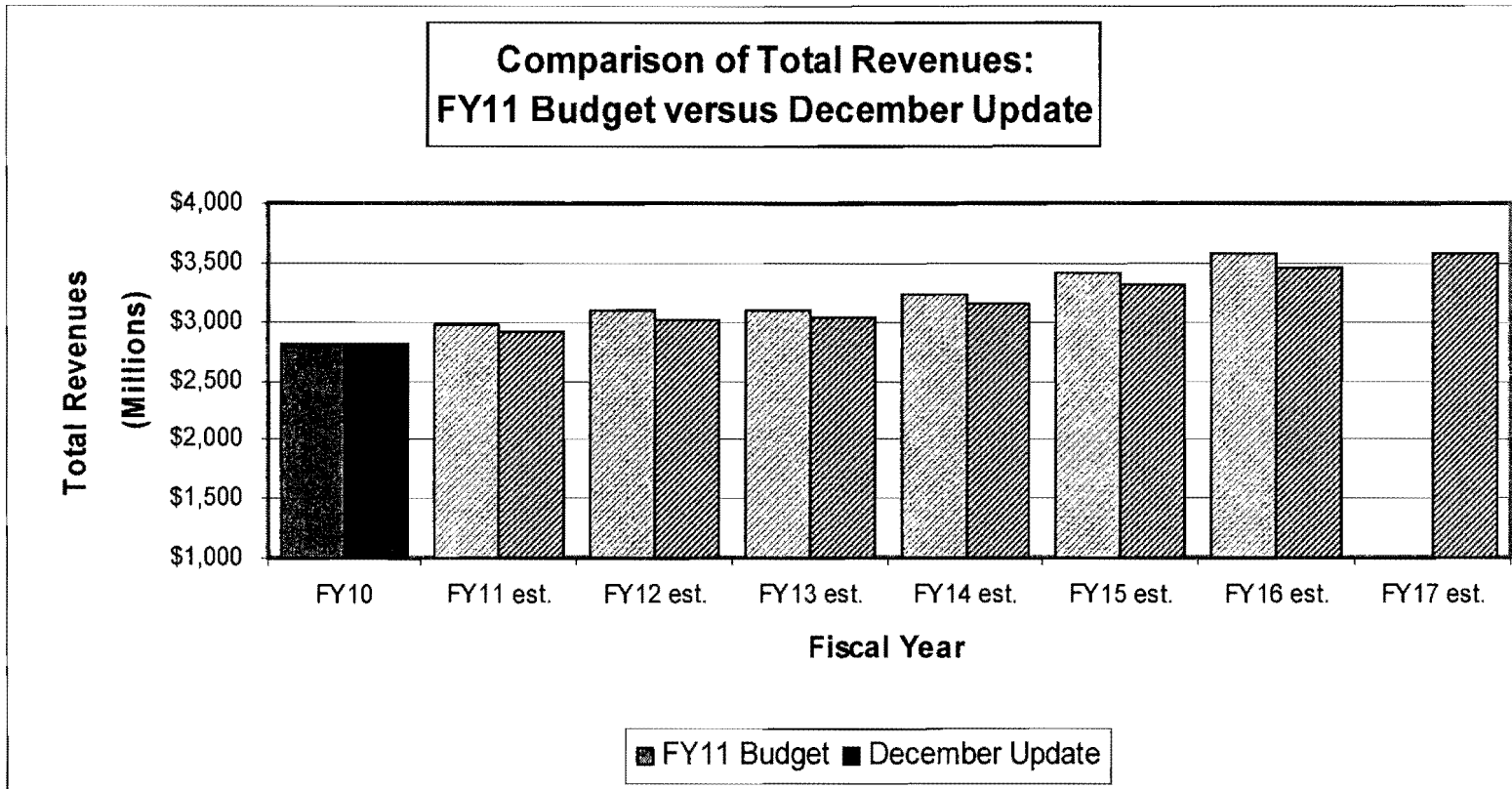
# FY12 Revenue Update

***December revised revenue estimates for FY12 are \$73.8 million below the March/April/May estimates. The major contributors are a decline in estimated income tax and property tax revenues.***

|                      | MARCH/APRIL/MAY ESTIMATE - DECEMBER 2010 (\$MIL.) |                    |                   |
|----------------------|---|--------------------|-------------------|
|                      | FY12 Estimate                                     | Dec. Update        | Difference        |
| Income               | \$1,130.160                                       | \$1,101.740        | (\$28.420)        |
| Property             | \$1,489.945                                       | \$1,468.703        | (\$21.242)        |
| Transfer/Recordation | \$148.336   | \$133.363          | (\$14.974)        |
| Other Taxes:         |   |                    |                   |
| --Admissions         | \$1.956   | \$1.814            | (\$0.142)         |
| --Fuel/Energy        | \$252.100   | \$249.270          | (\$2.830)         |
| --Telephone          | \$50.392  | \$48.870           | (\$1.522)         |
| --Hotel/Motel        | \$17.651  | \$18.632           | \$0.981           |
| Investment Income    | \$7.436   | \$1.786            | (\$5.650)         |
| Ambulance Fee        | \$14.398  | \$0.000            | (\$14.398)        |
| Other Revenues       | \$777.302   | \$791.700          | \$14.398          |
| <b>TOTAL</b>         | <b>\$3,889.676</b>                                | <b>\$3,815.877</b> | <b>(\$73.799)</b> |

## Revenue Trend FY12-17

*During the current six year period (FY11-FY16), total revenues are expected to be approximately \$454.8 million below FY11 budget estimates.*

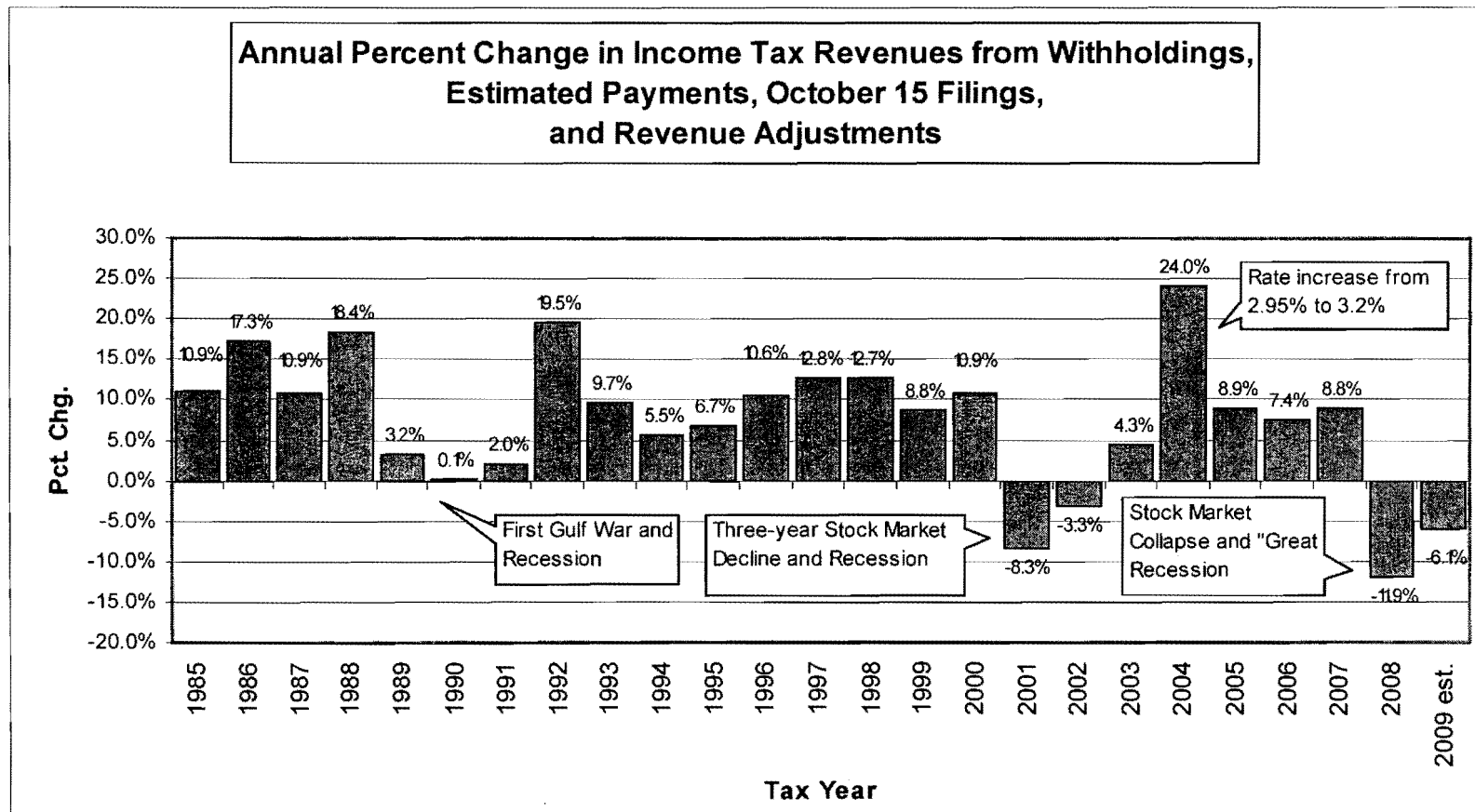


## ***Income Tax – Tax Year Liability***

- **Income tax revenues through November for Montgomery County and local jurisdictions fell 5.7 percent in tax year (TY) 2009 from TY2008 - the second consecutive decline following an 11.0 percent decline in TY2008 – the largest in 25 years.**
- **Because of the decline in 2009, Montgomery County's share of total local tax liability in Maryland declined from 28.5 percent (TY08) to 27.9 percent (TY09).**

# Income Tax Volatility

*Year-over-year percent changes in the income tax are volatile and sensitive to economic events especially capital gains in Montgomery County.*





## ***Income Tax – November Distribution***

- **The largest share (75%) of the County's income tax revenues for any tax year comes in quarterly distributions of withholdings and estimated payments.**
- **The November distribution reflects actual results from the prior tax year (e.g., final tax year 2009 in November 2010) and provides a near final review of last year's tax liability – this provides a base for future projections.**
- **The Comptroller's Office also adjusts its distribution formulas for the current tax year based on the prior year results (e.g., 2009 results affect next year's distributions).**
- **Income tax revenues represent 36 percent of total tax revenues and nearly 30 percent of the County's total revenues.**



## ***Income Tax – November distributions***

| (millions)  | Actual<br>FY09 | Actual<br>FY10 | Estimated<br>FY11 | Actual<br>FY11 | Difference |
|---|----------------|----------------|-------------------|----------------|------------|
| October 15 <sup>th</sup> Filings and Adjustments                  | \$146.10       | \$9.60         | \$32.70           | \$17.00        | (\$15.70)  |
| Withholding and Estimated payments for<br>3 <sup>rd</sup> Quarter | \$242.70       | \$210.60       | \$218.90          | \$212.90       | (\$6.00)   |
| Total November Distribution                                       | \$388.80       | \$220.20       | \$251.60          | \$229.90       | (\$21.70)  |

•Reduction in receipts from October 15th Filings and Adjustments is based on an adjustment to reflect decreased income tax receipts due the County for tax year 2009 as compared to tax year 2008. Overall, the State has indicated that the County's income tax receipts for 2009 are 5.7% lower than for 2008.

•Reduction in withholdings and estimated payments is due to reduced income tax receipts statewide and a change in the distribution formula, which is updated by the State in November to reflect the overall decrease in prior year income tax receipts.

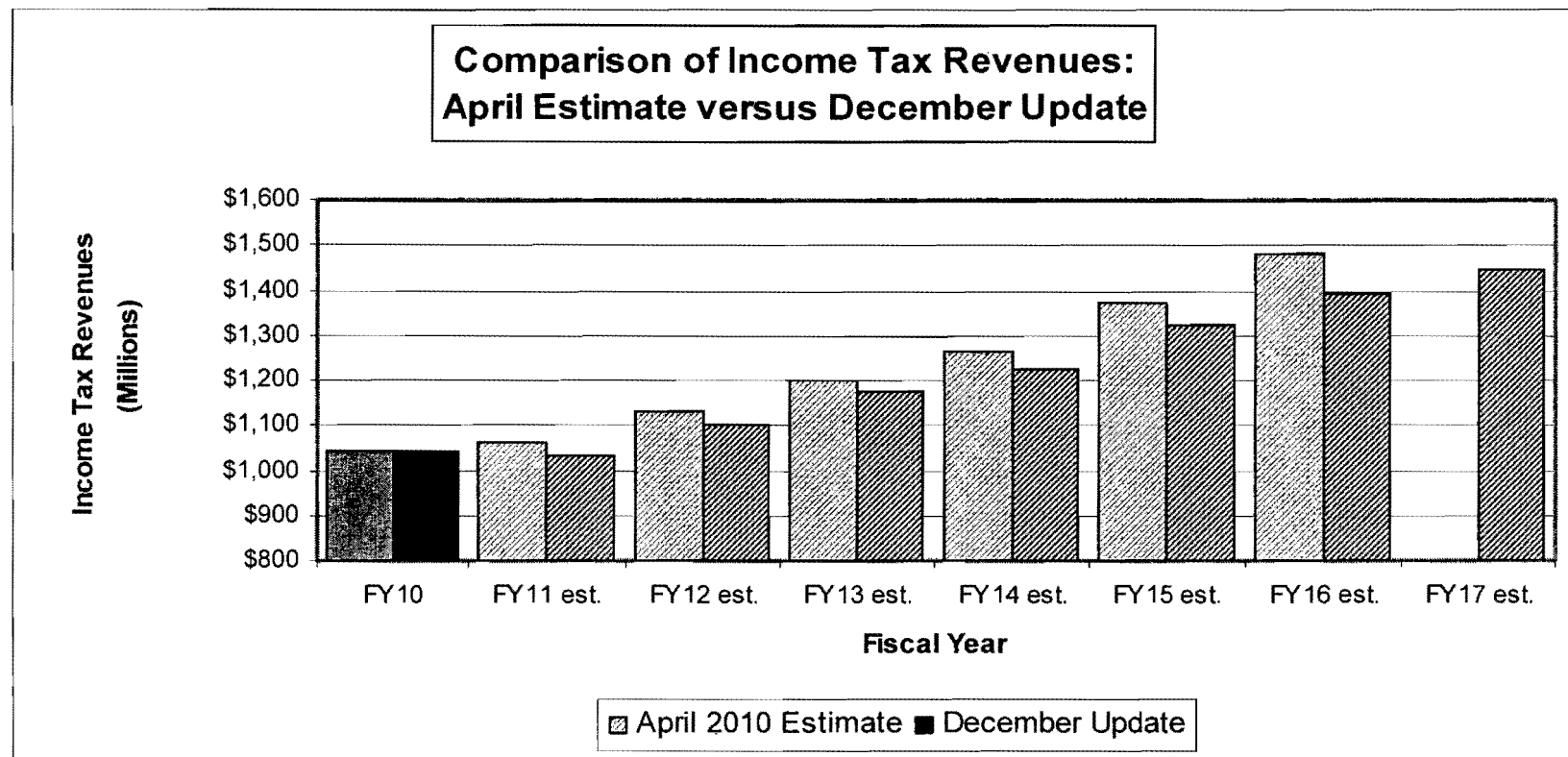


## ***Income Tax – Economic Factors***

- Resident employment is expected to decline 1.2 percent (↓1.2%) in CY10 with most of that decline during the first half of CY10 and increasing a modest 1.4 percent (↑1.4%) in CY11. This is compared to March economic assumptions of 0.3 percent increase in 2010 and an increase of 1.6 percent in 2011.**
- Personal income is estimated to increase 3.7 percent in CY10 and 4.7 percent in CY11.**
- Wage and salary income is expected to increase 3.2 percent in 2010 and increase 4.7 percent in 2011.**

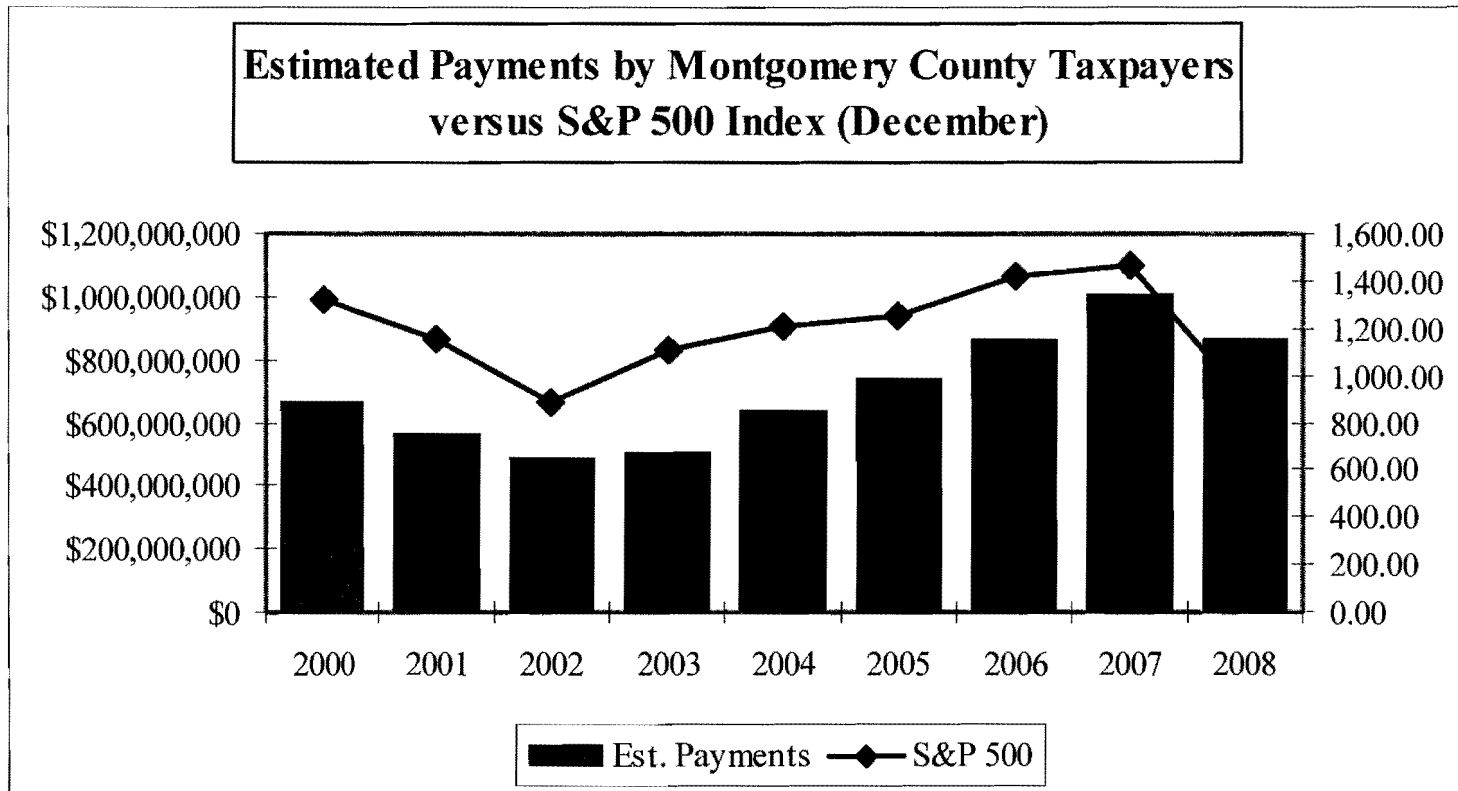
# Income Tax FY12-17

**Over the current six year period, income tax revenues are expected to be approximately \$268.0 million below FY11 budget estimates.**



# Income Tax

*The amount of estimated payments by Montgomery County income taxpayers has been closely associated with the stock market (S&P 500 Index)*



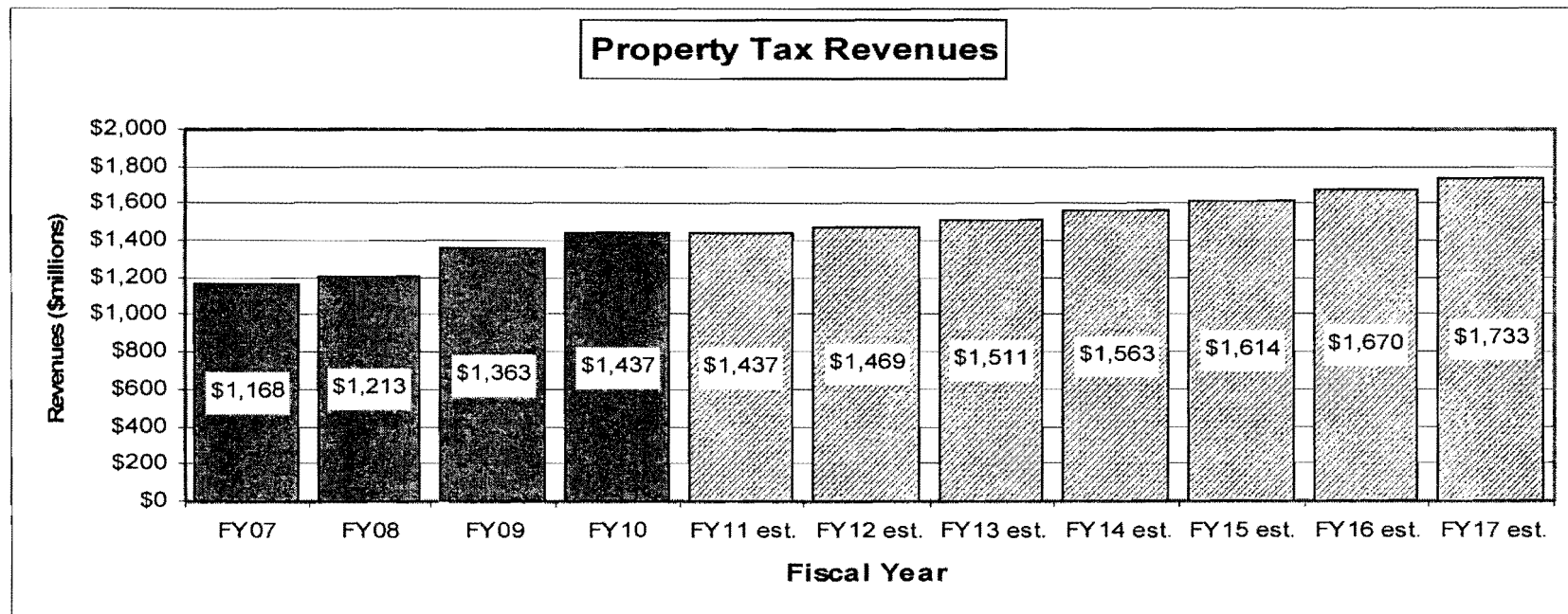
## ***Property Tax***

- **The inflation rate is expected to be slightly less than 2.0 percent in calendar year 2010, which follows a meager 0.2 percent increase in CY09. Inflation is used to estimate real property tax revenues in FY2012 under the Charter Limit excluding new construction.**
- **The reassessment rates for real property for Group 2 in fiscal year 2012 are expected to decline 17.3 percent for residential property and decrease 1.5 percent for commercial property.**
- **Based on a declining taxable assessable base in FY2012, tax rates (current General Fund rate is \$0.669) would have to increase or the County credit (income tax offset, which is \$692 for a principal residence in FY11) would have to decline to reach the Charter Limit.**



# Property Tax Revenues at the Charter Limit

***Without a rate increase or smaller credit, revenues would be below the Charter Limit for FY12 due to an unprecedented decrease in the assessable base.***



## ***Transfer and Recordation Taxes***

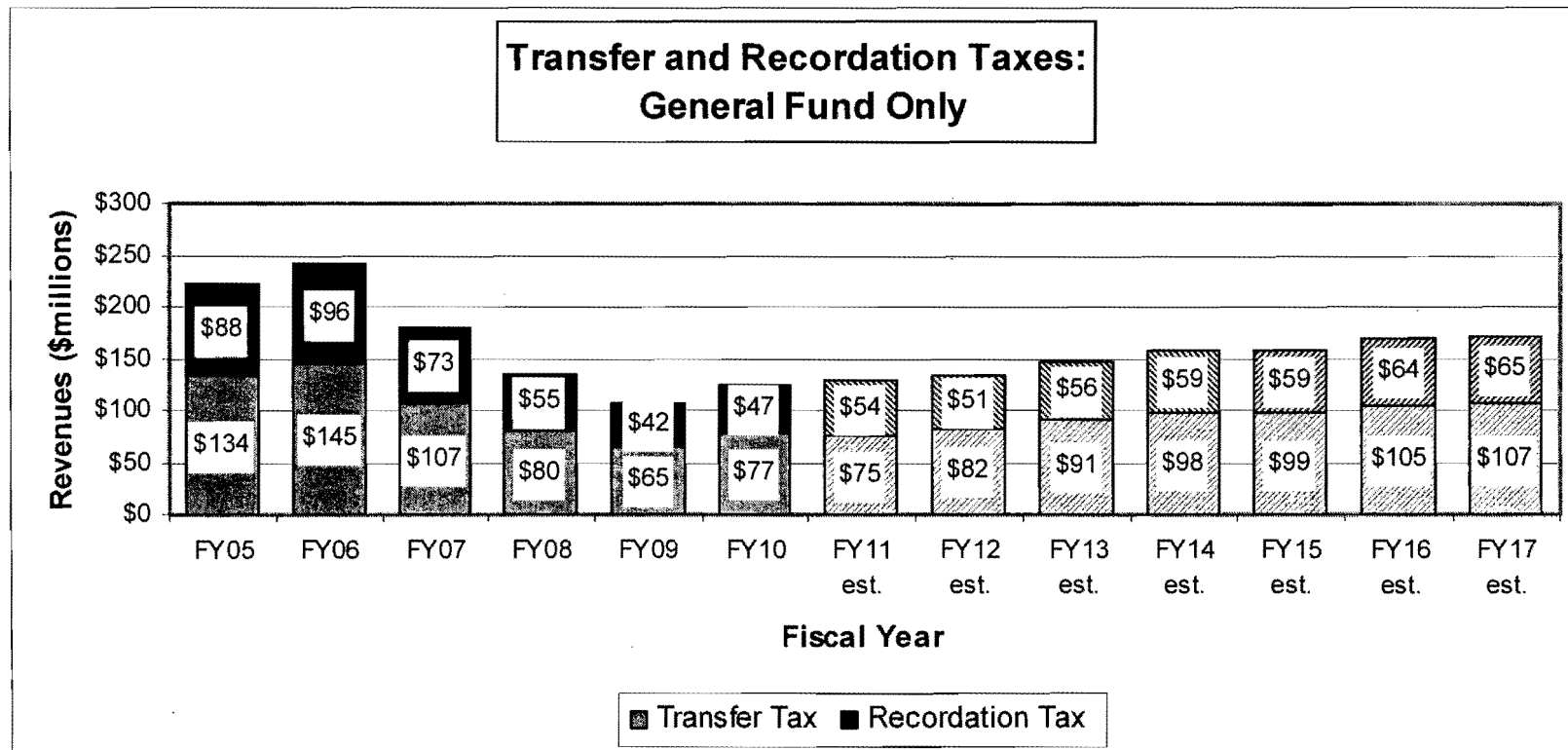
- **Home sales are expected to decline 9.7 percent in FY11 largely attributed to the expiration of the federal government's first-time homebuyers credit, while prices are anticipated to increase in FY11. The non-residential real estate market is estimated to experience a slight increase in FY11.**
- **Because of the dramatic decrease in home sales during the latter half of CY10, Finance estimates that the number of residential transfers may decrease 9.6 percent in FY11.**
- **However, because the average home sales price is expected to increase in CY10 and in CY11, the average transfer tax amount on a residential sale is expected to increase 6.2 percent in FY11.**
- **Because of the expected increase in the number of non-residential transactions, non-residential transfer tax revenues are estimated to increase by over 10.0 percent in FY11.**



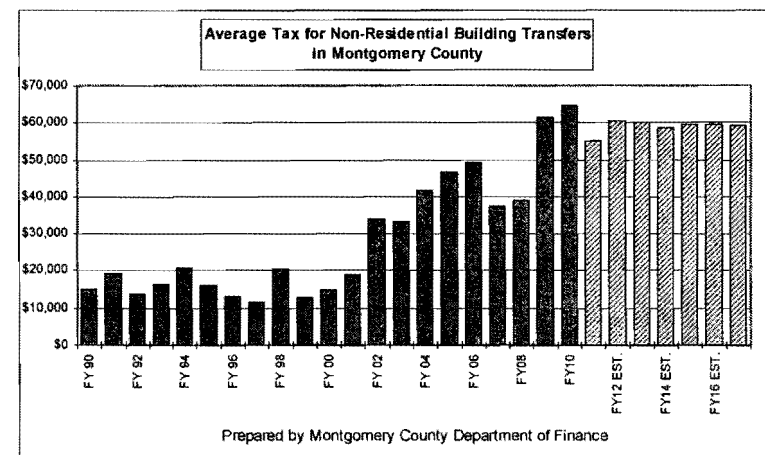
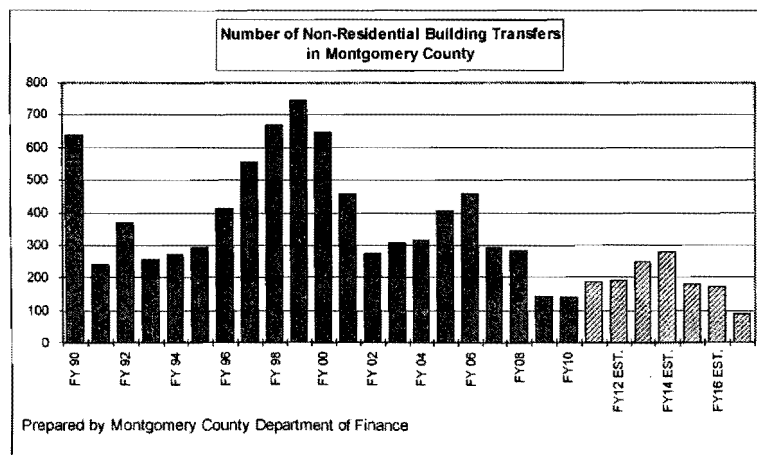
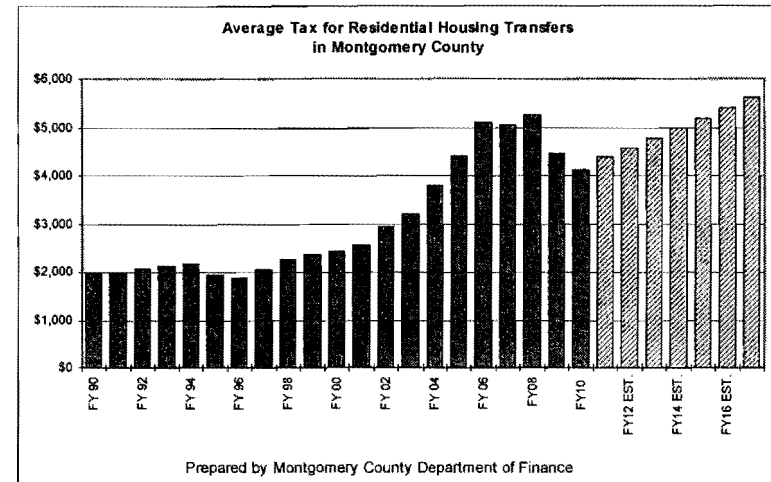
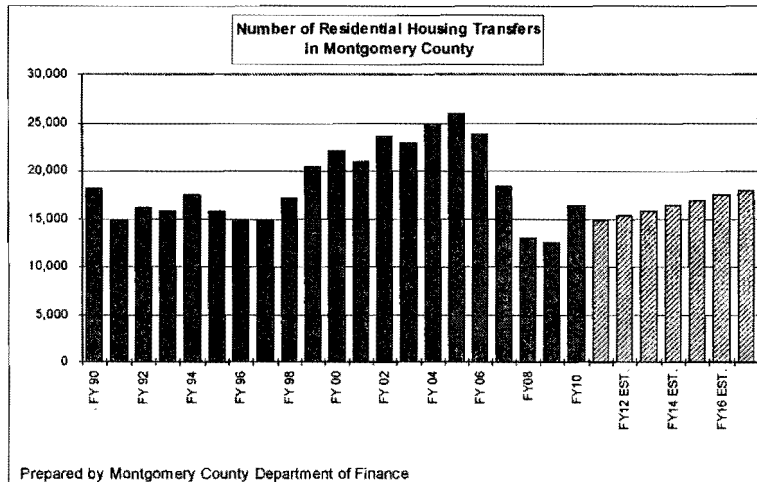


# Transfer and Recordation Taxes

Since reaching \$241.7 million in FY06, transfer and recordation taxes declined \$134.5 million to a low of \$107.2 million by FY09. By FY17, transfer and recordation taxes are estimated to reach \$171.8 million – nearly \$70 million below the FY06 peak.

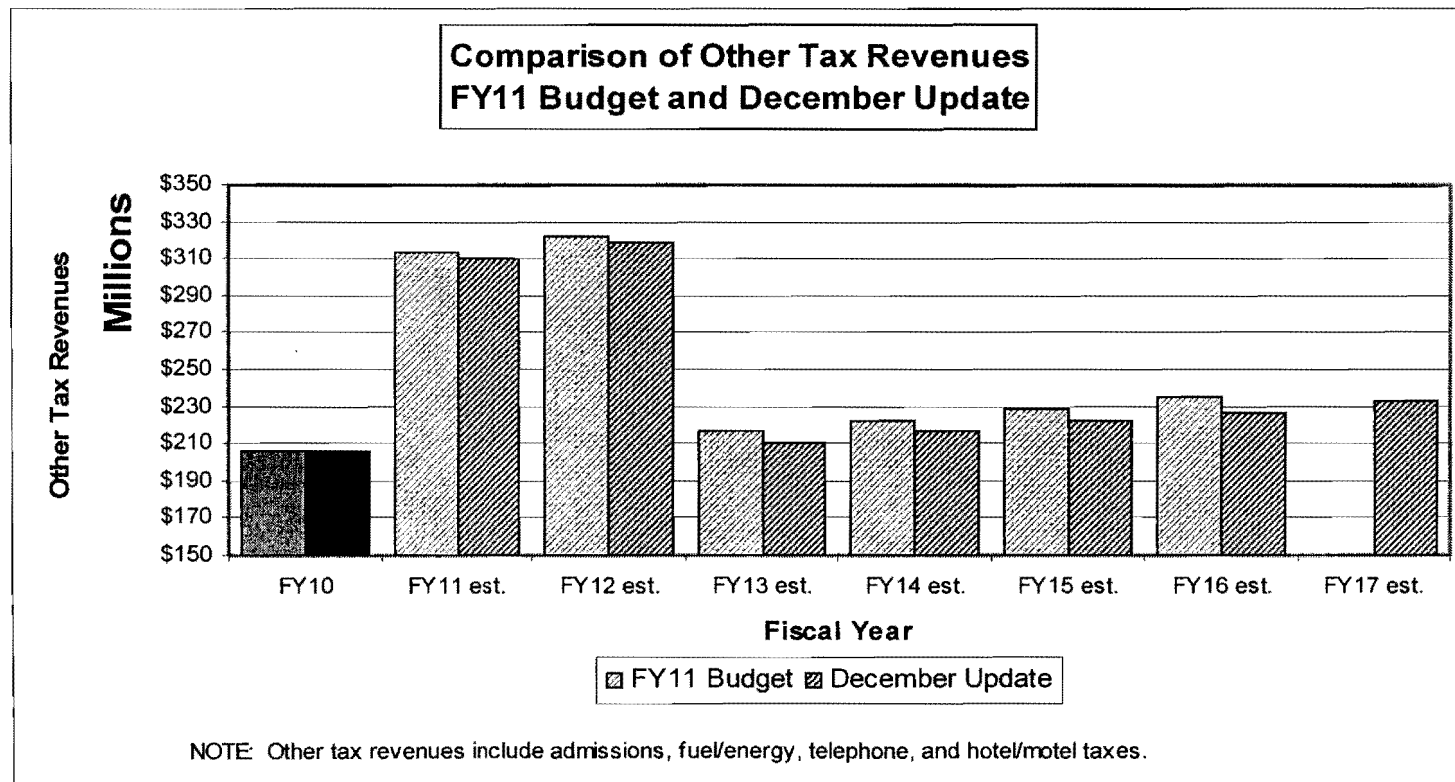


# Transfer and Recordation Taxes



# Other Tax Revenues

***Due to the rate increases in FY11 and FY12 for the fuel/energy tax and in FY12 for the telephone tax, the combined total estimated revenues for FY11 and FY12 are expected to be nearly \$218 million above FY10. However, revenues are estimated to decline in FY13 from FY12 due to the sunset provision in the fuel/energy tax. Over the current six-year period, total other tax revenues are estimated to be \$33.8 million below FY11 budget estimates.***



## ***Investment Income***

- The Federal Reserve is expected to maintain its low interest rate policy through the remainder of this fiscal year (0.00-0.25%).**
- The investment yield is now expected to decline to 0.14 percent in FY2011 from 0.22 percent in FY2010. The budget estimate was 0.85 percent.**
- In order to maintain liquidity to meet County cash flow needs, investment returns are based on short term rates which currently track the effective Fed funds rate.**





# Howard County, Maryland

# economic INDICATORS

## Our Mission...

Review the most currently available economic indicators for Howard County and surrounding areas to assist in providing advance warning of possible shifts in the local economy that may be helpful in the evaluation of current and future government policies and private sector business decisions.

**December  
2010**

## Insight & Outlook

**Retail...**representatives reported business locally has been good. Across the board commodity price increases are expected in the future. However, price increases to consumers for items like coffee, meats, dairy, sugar and energy are not expected until after the holiday season. Retailers will absorb the increases out of their margins to remain competitive during the holidays. Apparel sales were soft in October, but were made up in November as the weather turned colder. Any type of snow removal equipment is selling well as consumers have a strong memory of the snows last year. Black Friday promotions for major appliances and electronics are expected to offer good deals to consumers. Internet retailers reported hiring is taking place at profitable businesses in this sector. Profitable businesses are finding banks very willing to loan money. Those businesses that are less successful are either going out of business or becoming more innovative. Low cost, low margin businesses are doing best. The largest concern for internet businesses involves regulatory and sales tax issues. Many states are revenue hungry and see a sales tax on internet sales as a source of new revenue. Auto dealers reported there has been a polarization of profits, the big have gotten bigger. Sale of new vehicles for the coming year is expected to reach 13 million units, up from 11.2 million this year. Pent up demand is building and correlates directly to the public's sense of their personal financial security. Locally dealers

seem to be doing better than counterparts in other areas.

**Professional Service...** representatives reported most business owners expect current conditions to persist into 2011. Employers will remain cautious about hiring, worried about health care costs, the end of tax cuts and the impact of regulations on small businesses. Future spending will be directed at replacing old equipment to improve efficiency. Put simply, business owners are more interested in buying capital equipment to increase productivity rather than adding employees. The current economic status is flat and improvement is not expected any time soon. Technology firms are starting to lease space related to BRAC and these firms in the government sector continue to enjoy many opportunities resulting in excellent profits.

**Residential Real Estate...**representatives reported this sector has noted a softening in recent months. Year to year the average price of resale homes is up, but sales have slowed. This sector had anticipated the market to continue to improve even after the federal stimulus ended. This does not appear to be the case. More buyers are now interested in rentals than purchases. This is attributed to difficulties buyers seeking to move into the county due to BRAC or other reasons are having selling their existing homes in their current locations. Higher priced homes are languishing and are very difficult to sell. Resale inventory overall is at a 7.2 month level,

which is encouraging. Many sellers have taken homes off the market hoping prices will increase in the future. Some sellers are not accepting that their home may not have the value it had in the past. Foreclosures are still appearing but there are fewer in Howard County than elsewhere in the region. This sector is optimistic that things will improve next year.

## Residential and Commercial

**Construction...**representatives reported the new home market remains difficult and very competitive. This sector was optimistic at the start of calendar 2010 but that optimism faded as the tax credit initiative disappeared. This year has been a turn-around year compared to last year, but there is little optimism for the near term. Homebuilders are struggling and most are not making money. Current prices for single family homes are driving homebuilders to build more townhouses. The impact of BRAC has been slow to materialize. On the positive side homebuilders are hopeful BRAC, Cyber Security and NSA will generate the jobs needed to improve the housing market over time. Local & community banks have been responsive to the needs of local builders. The commercial real estate market in Howard County has an average 2010 vacancy rate of 13.5% compared to 15.3% a year ago. In the past quarter there has been negative absorption in Howard County, indicating this sector is having some difficulties.

A Joint Publication of Howard County Government & the Howard County Chamber of Commerce

|  | Reporting Period | Current Reporting Period | Last Year's Reporting Period | Current Fiscal Year Average-to-Date | Last Fiscal Year Average-to-Date | Percent Change |
|--|------------------|--------------------------|------------------------------|-------------------------------------|----------------------------------|----------------|
| <b>EMPLOYMENT</b> (Source: Maryland Department of Labor, Licensing and Regulation)                           |                  |                          |                              |                                     |                                  |                |
| <b>Resident</b>  |                  |                          |                              |                                     |                                  |                |
| Resident Employment  | September 2010   | 148,834                  | 148,741                      | 148,951                             | 148,953                          | 0%             |
| Unemployment Rate  | September 2010   | 5.4%                     | 5.3%                         | 5.6%                                | 5.4%                             |                |
| <b>At Place</b>  |                  |                          |                              |                                     |                                  |                |
| At Place Employment  | March 2010       | 142,752                  | 142,159                      | 142,679                             | 148,067                          | -2.3%          |
| Total Wages  | March 2010       | \$1,958,901,721          | \$1,920,070,311              | \$1,989,257,712                     | \$1,958,188,136                  | 1.7%           |
| Average Weekly Wage  | March 2010       | \$1,066                  | \$1,038                      | \$1,072                             | \$1,030                          | 4.1%           |
| <b>COUNTY REVENUES</b> (Source: Howard County Budget Office)   |                  |                          |                              |                                     |                                  |                |
| Personal Income  | October 2010     | \$5,332,177              | \$5,292,467                  | \$8,808,412                         | \$10,890,194                     | -19.12%        |
| Planning and Zoning Fees   | September 2010   | \$29,788                 | \$44,996                     | \$88,301                            | \$151,258                        | -41.6%         |
| Transfer Tax   | October 2010     | \$1,749,554              | \$1,889,179                  | \$5,625,304                         | \$5,310,471                      | 5.9%           |
| <b>REAL ESTATE</b> (Source: Maryland Property View, and Cushman & Wakefield, Inc.)                           |                  |                          |                              |                                     |                                  |                |
| <b>Single-family Dwellings</b>   |                  |                          |                              |                                     |                                  |                |
| Average Selling Price  | July 2010        | \$454,146                | \$466,282                    | \$454,146                           | \$468,282                        | -3.0%          |
| Number of Units Sold   | July 2010        | 157                      | 171                          | 157                                 | 171                              | -8.2%          |
| <b>Condominiums</b>  |                  |                          |                              |                                     |                                  |                |
| Average Selling Price  | July 2010        | \$248,400                | \$284,719                    | \$248,400                           | \$284,719                        | -12.8%         |
| Number of Units Sold   | July 2010        | 5                        | 16                           | 5                                   | 16                               | -68.8%         |
| <b>Office Market</b>   |                  |                          |                              |                                     |                                  |                |
| Total Square Footage   | September 2010   | 10,874,844               | 11,594,047                   | 11,088,928                          | 11,584,585                       | -4.28%         |
| Absorption   | September 2010   | 94,034                   | 485,205                      | 6,041                               | 228,168                          | -102.6%        |
| Vacancy Rate Class A & B   | September 2010   | 14.13%                   | 13.90%                       | 13.58%                              | 15.30%                           | -11.3%         |
| <b>SALES TAX</b> (Source: Office of Comptroller of the Treasury, Revenue Administration Division)            |                  |                          |                              |                                     |                                  |                |
| Apparel  | September 2010   | \$603,499                | \$770,843                    | \$2,115,896                         | \$2,327,605                      | -9.1%          |
| Furniture and Appliance  | September 2010   | \$675,606                | \$1,019,800                  | \$2,067,438                         | \$3,365,865                      | -38.6%         |
| General Merchandise  | September 2010   | \$2,113,050              | \$2,384,966                  | \$7,159,917                         | \$7,426,079                      | -3.6%          |
| <b>CONSTRUCTION</b> (Source: Howard County Department of Inspections, Licenses, and Permits)                 |                  |                          |                              |                                     |                                  |                |
| All Building Permits Issued  | October 2010     | 323                      | 310                          | 1,326                               | 1,254                            | 5.9%           |
| <b>Residential Issuances</b>   |                  |                          |                              |                                     |                                  |                |
| Single-family Detached   | October 2010     | 41                       | 41                           | 171                                 | 138                              | 23.9%          |
| Single-family Attached   | October 2010     | 31                       | 22                           | 125                                 | 173                              | -27.7%         |
| Multi-family Living Units  | October 2010     | 0                        | 16                           | 16                                  | 337                              | 2206.3%        |
| <b>Nonresidential</b>  |                  |                          |                              |                                     |                                  |                |
| New & AAI Issuances  | October 2010     | 63                       | 73                           | 197                                 | 206                              | -4.4%          |
| Reported Square Footage  | October 2010     | 5,842                    | 5,449                        | 12,378                              | 267,036                          | -95.4%         |
| Estimated Construction Cost  | October 2010     | \$139,111,525            | \$12,000,000                 | \$142,611,525                       | \$98,967,856                     | 44.1%          |
| <b>ECONOMIC INDICES</b> (Source: The Conference Board, George Mason University Center for Regional Analysis) |                  |                          |                              |                                     |                                  |                |
| <b>National</b>  |                  |                          |                              |                                     |                                  |                |
| Leading Economic Index   | September 2010   | 110.4                    | 104.2                        | 110.2                               | 103.3                            | 6.7%           |
| <b>Washington MSA</b>  |                  |                          |                              |                                     |                                  |                |
| Leading Economic Index   | August 2010      | 107.3                    | 108.0                        | 107.1                               | 105.9                            | 1.1%           |
| Coincident Economic Index  | August 2010      | 107.6                    | 105.9                        | 108.6                               | 107.1                            | 1.4%           |

The fiscal year for Howard County runs from July 1 to June 30.

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"Businesses are not going to hire or rehire until they feel optimistic about the future. We are not there yet."

**Banking...**representatives report continued concern regarding the direction of the economy and the impact on borrowers. Over the summer there seemed to be some level of increased business optimism for 2011, but it now appears most businesses are expecting a more muted year. Well-capitalized and profitable businesses continue to deleverage, while weaker businesses which had been counting on a recovery to help resolve financial problems may now face serious financial issues. Smaller financial institutions continue to deal with multiple problems, including problem credits and a tight interest spread. Consumer lending remains weak and most residential mortgage and home equity credit activity (almost 90%) is being used to refinance existing debt at lower rates rather than purchase new homes or goods. While the refinance activity does provide consumers with additional disposable income, this does not generate larger economic activity.

**Service Industries...**representatives reported contractors with government contracts are holding back on subcontracting, keeping more money in house. Transportation services reported business has been good since the spring. This October was one of the best months in years. Convention traffic has been the primary driver. Business and leisure travel have been steady. Thanksgiving holiday travel is expected to be good and the Monday following the holiday is usually the biggest day of the year in the transportation sector. The largest concerns remain the cost of fuel and new hires.

**Agricultural...**representatives reported local farmers had a better year than expected. Small grains, such as wheat and barley made record yields due to early harvest. The hay crop was large but rain in late May and early June made for poor quality. The severe drought in July and August hurt production of corn and soybeans but new hybrid seed that is drought resistant was helpful. Grains of all types are setting record prices. Cattle, hogs and milk prices are steady. There is a glut of milk due to better production per cow. Fruit and vegetable farmers did well, but those with irrigation during the drought saw a large difference in production. What every farmer will be watching in the coming year is the stink bug. At this time it could affect every crop grown. This year was bad but next year could be a catastrophe unless measures are made to eradicate them.

**Overall...**it appears the local economy remains rather flat. The housing market is showing little signs of sustained improvement.

Businesses are continuing to use equity to purchase equipment to improve performance rather than hire new employees. There remains a lot of uncertainty related to regulatory issues, health insurance and taxes that will all impact businesses eventually. Howard County is more fortunate that other areas because of the close proximity to government facilities. It is estimated that one facility provides \$2.2 billion in direct economic impact to the county. One question that remains unanswered is when will things return to "normal" and possibly more important is the current status the "new normal?" Only time will tell. But in times of challenge opportunities also present themselves. Being prepared to take advantage of these opportunities is the key to moving ahead.

## Summary

**Employment...**Resident employment in September 2010 reached 148,634 persons. The unemployment rate for September 2010 was 5.4%, the lowest in the State of Maryland and continuing to be significantly below the State rate of 7.5%. In September 2009 the unemployment rate was 5.3%. The FY11 average unemployment rate for the county is now 5.6% compared to the FY10 average of 5.4% thru September.

At Place Employment is reported for March 2010 and was 142,752, an increase of .4% compared to the March 2009 level. Total wages reported for March 2010 rose by 1.9% from the March 2009 level, rising from \$1,920,070,311 to \$1,956,901,721. The average weekly wage reported for March 2010 was \$1,131 up \$57 or 5.3% from the \$1,074 reported for March 2009.

**County Revenues...**Personal income tax receipts as reported for October 2010 were .75% higher than income tax revenues collected for October 2009. Fiscal year to date FY11 income tax revenues are 19.1% below FY10 levels through the same period. Planning & Zoning fees are reported for September 2010 and are 34% lower than the September 2009 level. Fiscal year-to-date collections for these fees are nearly 42% lower than the FY10 levels. Transfer tax is reported for October 2010. Compared to October 2009 current collections are down 7.4% in October 2010. Average fiscal year-to-date collections for FY11 are up nearly 6% when compared to FY10 levels thru the same period.

**Construction...**Building permits issued in October 2010 increased by 4.2% compared to the October 2009 level. Fiscal year 2011 to date permit activity reflects an increase of 74 permits or a 5.9% increase over FY10 levels thru October. Single-family detached issuances for October 2010 reached 41 units compared to the October 2009 level of 41 units. FY11 to date SFD permits are up 24% when compared to FY10 year to date levels. Attached single-family issuances increased by 9 units in October 2010 compared to the prior year. Fiscal year to date the number of single family attached units is down 28% from FY10 to FY11. Multi-family permits posted 0 units in October 2010 compared to 16 units reported for October 2009. Non-residential new and additions, alterations, interior completions (A/I) permits were down by 10 units in October 2010 compared to October 2009. Non-residential reported square footage fiscal year to date is reported thru October 2010. FY11 s.f. to date totals 12,378 compared to 267,036 s.f. reported for FY10 thru the same period. The estimated non-residential construction cost reported for October 2010 was \$139,111,525 compared to \$12,000,000 in October 2009.

**Economic Indices...**National Leading Economic Index (LEI) as reported for September 2010 was 110.4, up 5.9% from the September 2009 level of 104.2. The LEI for the Washington MSA was 107.3 in August

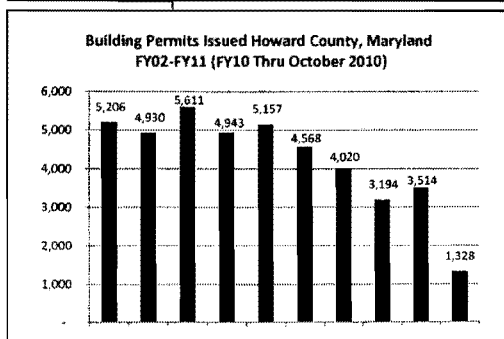
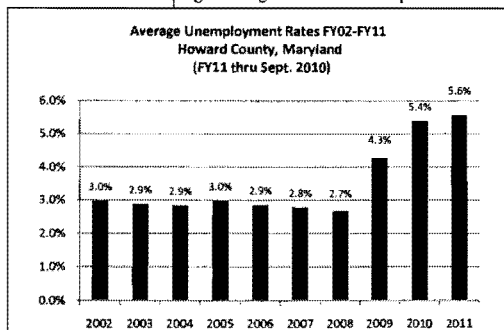
2010, up from the 106.0 reported for August 2009. The Coincident Index for the Washington MSA was 107.6 in August 2010, up from the August 2009 level of 105.9. Fiscal year to date averages for the Washington indices were positive. The leading index was up 1.1% at 107.1 for FY11 compared to 105.9 for FY10. The coincident was up 1.4% at 108.6 for FY11 compared to 107.1 for FY10.

**Real Estate...**Average sale prices for single-family homes (includes single family detached and town homes) in July 2010 decreased 3%, from the July 2009 average of \$468,282, to \$454,146. Fiscal year-to-date the average price decreased by 3% as well. A total of 157 single-family homes were sold during July 2010, a decrease of 8% or 14 fewer units than the 171 units sold in July 2009. Average units sold fiscal year to date were 157 compared to 171 units thru July 2009, a decrease of 3%. Condominium prices in FY11 thru July averaged \$248,400, a decline of nearly 13% from the average price of \$284,719 thru July 2009. Sales of condo units in July 2010 were down 69% or 11 units lower than the numbers reported for July 2009 when 16 units were sold. The commercial office vacancy rate for September 2010 was 14.1%, up from 13.9% in July 2009. The vacancy rate does not reflect pre-leased new construction. Square footage available decreased slightly to 10,874,844 s.f. for September 2010 compared to 11,594,047 s.f. for September 2009. Net absorption for the third quarter of calendar 2010 was -6,041 s.f. compared to net absorption of 228,168 s.f. through the third quarter of calendar 2009.

**Sales Tax...**September 2010 collections for Apparels declined by 22% compared to the level collected in the same month last year. The FY11 average receipts to date have declined by 9.1% when compared to the prior year. Collections reported for September 2010 Furniture and Appliance sales decreased by 34% compared to September 2009. Fiscal year-to-date, average revenues thru September 2010 decreased by 39% from the previous fiscal year. General Merchandise collections decreased by 11% in September 2010 compared to September 2009. Fiscal year-to-date average levels decreased by 4% compared to the prior year. It should be noted sales tax revenues are not returned to the county as direct revenue.

## Committee Membership

Janice Bauman, J.M. Bauman Associates  
Jeffrey Brown, Ho. Co. Dept. of Planning & Zoning  
Guy Caiazza, Int'l Trading & Investment, Inc.  
William N. Chalfant, Jr., TD Bank  
Nancy Cummins, Long & Foster Real Estate  
Chip Doetsch, Apple Ford  
Donald W. Eames, The Airport Shuttle, Inc.  
Charles Feaga, Howard County Farm Bureau  
Timothy Harwood, Economic Development Authority  
Sharon Greisz, Howard County Dept. of Finance  
Pamela Klehr, Chamber of Commerce  
David Libby, Costco  
Chip Lundy, Williamsburg Builders  
Marsha McLaughlin, Ho. Co. Dept. of Plan. & Zoning  
Chris Myers, Super Book Deals  
James Peacock, UHY Advisors Mid-Atlantic MD, Inc.  
Kirit Parmar, Dunkin' Donuts  
A. Nayab Siddiqui, Scientific Systems Software Int'l  
Cole Schnorf, Manekin Corporation  
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## MEMORANDUM

December 10, 2010

TO: Councilmembers  
FROM: Valerie Ervin, Council President  
SUBJECT: **Council's Next Steps on Options for Long-term Fiscal Balance**

This memo follows up the Council's December 7 briefing on Part II of the Office of Legislative Oversight's report on achieving a structurally balanced budget in Montgomery County. OLO's executive summary suggested some possible next steps that I recommend the Council pursue in the coming months, as outlined below.

### **Step (1): Questions and Answers about the Options**

Between now and January 3 Councilmembers should send OLO Director Karen Orlansky any questions they have about the options outlined in OLO's Part II report. By January 5 OLO staff will circulate a master list of all questions received and a timetable for providing responses. OLO will aim to provide responses to all questions by January 14.

### **Step (2): Input from Known Stakeholders and the Larger Community**

Starting this week we should aggressively solicit input about the report from both known stakeholders and the larger community. In January and February we should also solicit input in other forums, such as a forthcoming Town Hall meeting and other community forums.

### **Step (3): Select Short List of Options for More Research and Analysis**

By January 21 the Council should select a short list of options for:

- More refined cost/revenue estimates (including actuarial analysis if needed);
- More detailed analysis of the potential impact on employees and/or residents;
- More specific legal analysis or comparative information; and
- A proposed implementation schedule.

### **Step (4): Decision and Action**

With the benefit of all this information, and following the transmittal of the Executive's Recommended FY12 Operating Budget on March 15, the Council can decide during the course of its budget worksessions in April and May which specific measures to implement.

Please let me know by 9:00 a.m. on December 13 if you believe there are other steps we should pursue to follow up our receipt of the OLO report. I look forward to working with you on this important effort.

c: Steve Farber, Council Staff Director  
Karen Orlansky, Director, Office of Legislative Oversight